

# City of Kankakee, Illinois

Comprehensive  
Annual Financial Report  
for the Fiscal Year Ended  
April 30, 2016

Prepared by:  
*The Comptroller's Office*  
*Elizabeth D. Kubal*  
*Comptroller*

**CITY OF KANKAKEE, ILLINOIS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED APRIL 30, 2016**

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## **INTRODUCTORY SECTION**





Comptroller  
304 South Indiana Avenue  
Kankakee, Illinois 60901  
(815) 933-0491 Fax (815) 936-7329

November 28, 2016

Honorable Mayor, City Aldermen, and Citizens of the City of Kankakee:

The Comprehensive Annual Financial Report (CAFR) of the City of Kankakee, Illinois (City) for the fiscal year ended April 30, 2016 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City of Kankakee management. To the best of the Comptroller's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of all the governmental activities, business-type activities, component units, and funds of the City of Kankakee. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. The financial statements presented here are in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This letter of transmittal should be read in conjunction with management's discussion and analysis (MD&A) to obtain the most complete assessment of the City's current financial status and its future outlook.

### **Profile of the Government**

This report includes all of the funds for the City of Kankakee (the primary government), as well as its two component units, the Kankakee Public Library and Special Service Area #1 (SSA). Component units are autonomous entities for which the primary government is financially accountable.

The City of Kankakee was incorporated in 1865 and operates as a home rule municipality pursuant to the 1970 Illinois Constitution. The City is governed by an elected mayor and a city council comprised of 14 aldermen. Two aldermen are elected from each of the City's seven wards for four-year terms. Mayoral elections are held every four years.

The City provides a full range of public services, including public safety services such as police, fire, ambulance, and code enforcement, street and public infrastructure maintenance, sanitation, sanitary sewer collection, storm drainage, health and social services, culture and recreation, municipal planning and zoning, and general administrative services. Wastewater treatment service is provided by the Kankakee River Metropolitan Agency (KRMA), which is jointly owned and operated by the City and the neighboring Villages of Bradley, Bourbonnais, and Aroma Park. Water service is provided by Aqua Illinois, Inc., a private utility.

The City of Kankakee is located in Kankakee County, approximately 60 miles south of Chicago in the northeastern section of the State of Illinois. The City has extended its boundaries in a southerly direction through annexation. Since 1990, the area of the City has grown from 10.2 square miles to the current 14.5 square miles, an increase of 42% in land area. With a current population of 27,537 (2010 U.S. Census), the City acts as the industrial and service center for the Kankakee metropolitan area, operates at

the center of a metropolitan populace of approximately 75,000 people, and is the county seat of Kankakee County, which has a population of 113,551 people.

### **The Kankakee River**

One of the City's greatest assets from an economic and recreational standpoint is the Kankakee River, which flows in a northwesterly direction through the middle of the City. At the point where it flows through the City, the river is about one quarter of a mile wide. There are several City parks along the river's edge that provide opportunities for public fishing and boating activities. The Kankakee River State Park, which covers an area of about 4,000 acres, is located about seven miles northwest of the City. The park attracts thousands of tourists to the area annually.

The Kankakee River serves as the source for the metropolitan region's drinking water supplied by Aqua Illinois, Inc., a private utility. The river has a dam close to the downtown area of the City. The water behind the dam powers a City owned low-head hydroelectric plant. The plant generates electricity that is used for the operation of the KRMA wastewater treatment plant.

### **Transportation**

The City is situated in the center of Kankakee County, which is contiguous to Will County on its northern border. One of the nation's major north-south routes, I-57, passes along the eastern side of the City. This interstate highway provides access to the heart of the City of Chicago in approximately one hour driving time. The City of Kankakee is about 30 miles south of I-80, a major national east-west highway connecting the east and west coasts of the nation.

The City's public road transportation needs are met by Greyhound bus line, as well as the region's metropolitan bus service. Railroads serving the County include Illinois Central Gulf, owned by Canadian National Railroad, Conrail which is owned by Norfolk Southern, and Amtrak. The Kankakee Valley Airport, located two miles south of the City's downtown area, has hangar space for 110 aircraft. The airport is utilized by both general aviation aircraft and corporate planes.

### **Education**

Kankakee School District No. 111 provides educational services for pre-kindergarten through grade 12 with enrollment of approximately 5,600 students. There are three parochial schools serving the Kankakee area: Bishop McNamara Catholic Schools which now includes grades 7-12, Grace Christian Academy, and Kankakee Trinity Academy. Together, those schools have an approximate total enrollment of 1,000 students. Higher education is available through Olivet Nazarene University, a four-year liberal arts college, in Bourbonnais, and Governor's State University, located in University Park, which is located about ten miles north of the county line in Will County. Olivet Nazarene University has increased its enrollment to the current level of approximately 4,900, which includes 3,251 undergraduates. The number of residential students has grown substantially from 1,100 in 1990 to 2,205 in 2016. The number of graduate level students in 2016 is approximately 1,700. Two-year undergraduate education is offered at Kankakee Community College, located on a 160 acre campus in Kankakee. There are 1,225 full-time students and 1,801 part-time students who are enrolled in the credit division. The Continuing Education and Career Services and Adult Education divisions have 4,912 students.

## **Internal Control Objectives and Inherent Limitations**

The City of Kankakee management is responsible for establishing, implementing and maintaining a framework of internal controls designed to ensure that City assets are protected from loss, theft or misuse, and to ensure that sufficiently reliable information is compiled to provide for the preparation of financial statements in conformity with GAAP. Because the cost of controls should not exceed the benefits likely to be derived, the City of Kankakee's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Comptroller's Office is responsible for providing all centralized City financial services, including financial accounting, reporting, budgeting, payroll, collections, accounts payable, cash and investment management, and debt management. The Comptroller, who is appointed by the Mayor to supervise the department's operations, asserts that, to the best of her knowledge and belief, this financial report is complete and reliable in all material respects.

## **Budget Process**

The City of Kankakee adopts annual budgets for the General Fund, Band Fund, IMRF Fund, SSA#2 Fund, SSA#3 Fund, and SSA#5 Fund. For the other special revenue funds, legally authorized non-appropriated budgets are used to control expenditures on a project or designated purpose basis, and are carried forward each year until the project is completed or the designated purpose has concluded. No legally adopted budgets are prepared for the capital projects and debt service funds. Expenditures for capital project funds are controlled on a project basis. Expenditures for debt service funds are controlled through general obligation bonds' indenture provisions. Additional information related to the City's budget process can be found on page 90 of this report.

## **Long-term Financial Planning**

The City endorses the concept that those who benefit from the use of the City's capital assets should pay a proportionate share of the costs of those assets. The City has financed a host of capital projects, over \$55.0 million, over the past 20 years through the issuance of bonds. This has enabled the City to amortize the costs of the projects, at least to a degree, over the life of the constructed assets. The Capital Projects Fund, which provides the financing for major capital improvements over a multi-year basis, has been a useful tool to the City in planning for the replacement and enhancement of its infrastructure assets.

## **City Government Operations and Finances**

The City of Kankakee continues to find ways to operate in a cost-effective manner while not diminishing the quality of the services delivered. In response to the recession beginning in 2008, the City Administration responded and has continued to in recent years. In May 2010, the Public Works Department moved from the General Fund to the Environmental Services Utility to more properly match the Public Works environmental control of storm water management and solid waste handling responsibilities with the related utility revenues.

City Administration has further responded by reducing its General Fund payroll costs over the years. The City has negotiated with its various organized labor groups to help with cost containment and the additional financial constraints through both non-wage cost reductions and direct wage concessions. Over the past six years, the City of Kankakee has decreased the workforce by over 17% from 262 employees in 2010 to 216 employees in 2016. In addition, there are 25% fewer City of Kankakee department heads.

As a result of this restructuring of the past five years, the City has adopted fiscally responsible balanced budgets. The fiscal year 2016 General Fund budget projected a balanced budget and finished with a positive fund balance. The current fiscal year 2017 projects the City of Kankakee will slightly increase the fund balance.

In fiscal year 2000, the City entered into direct and indirect sales tax sharing agreements with various retailers. These agreements added a substantial amount of additional sales tax revenue to the City's General Fund. The tax sharing program was based upon the agreement of a taxpayer to locate sales acceptance offices within boundaries of the City. The agreements provided that the City shared the 1% municipal portion of sales taxes which were generated by the retailers as an economic development incentive.

In 2011, The City of Chicago, Cook County and the Regional Transportation Authority filed suit against Kankakee and other municipalities with similar tax sharing programs. The lawsuits contested the agreements and claimed that the sales tax revenues were improperly sited in the City. The City has strongly defended the lawsuits and has established that there was no improper shifting of the sales tax from the jurisdiction. Recently the complaint filed by the City of Chicago was dismissed with prejudice.

On November, 21, 2013, the Illinois Supreme court issued an opinion in *Hartney Fuel Oil Company v. Brian Hamer, Director of the Illinois Department of Revenue*. The court considered the issue of proper siting of retail sales in order to determine which municipality should be entitled to claim the municipal share of sales taxes from each business. The Court ruled that the tax sharing agreements, such as those with the City of Kankakee, were valid based upon the existing rules and regulations, but determined that the rules and regulations were not consistent with the existing statute. The Court validated the previous agreements but ordered that the rules and regulations were to be modified going forward. The Department of Revenue has adopted new rules which substantially changed the criteria for siting sales taxes and most of the agreements have been terminated due to the inability to comply with the new rules.

A settlement has been reached with the RTA and Cook County regarding the largest group of taxpayers. Negotiations are ongoing regarding the remaining taxpayers and resolution is likely to occur in the near future. The complaint filed by the City of Chicago has been dismissed. That order of dismissal has been appealed by the City of Chicago.

## **Major Initiatives and Economic Outlook**

Employment opportunities in the City are diverse. On the private side, several companies in the Kankakee metropolitan area are manufacturing divisions of Fortune 500 companies making a variety of products. Many of these industries compete in national and international markets. Major regional employers include Armstrong World Industries, BASF Corporation, K-Mart and Sears Distribution Centers, Wal-Mart, Merck-Millipore, CSL Behring, Dow International, Del Monte, Peddinghaus Industries, Valspar, Baker and Taylor, Presence St. Mary's Hospital, Riverside Medical Center, Presence St. Mary's Hospital and Shapiro Developmental Center.

### **Interstate Exit #308 Development**

In 2003, the City initiated redevelopment at Exit 308 on the southern border of the City. The project initially brought a Hilton Garden Inn hotel/convention center complex which was completed late summer of 2004. As development progressed, a Wal-Mart Super Center, ALDI Grocery Store, many food locations/eateries, gas stations, and a retail outlet complex were also completed. In 2013, a new Love's

Truck Stop and Arby's opened on the east side of this development area. In 2015, Murphy Oil opened a new gas station in the front of the Wal-Mart. There is interest in redevelopment sites which could evolve to major commercial thoroughfares. There is optimism that this project will continue to act as an anchor for additional commercial and residential growth in south Kankakee.

Other significant economic events during the past few years include the following:

### **City of Kankakee Economic Improvements by Category**

#### **Industrial:**

- development of the K4 Wind Farm LLC electrical substation-\$4.0 million. An additional substation is planned for 2016 - \$4.0 million
- addition at Kankakee Ring Container which added 9 new full-time job-\$3.5 million
- the final expansion of J. Edwards Brush adding 50,000 square feet of warehouse space
- construction of a medical marijuana cultivation center to be completed in 2016 - \$7.5 million
- relocation of the Heartland Harvest manufacturing facility to an empty building in the Eastgate Industrial Park
- purchase of the empty American Spring Wire facility located in the Eastgate Industrial Park by Peddinghaus Industries for future expansion
- relocation of Hoekstra Trucking Corporation to Eastgate Industrial Park

#### **Commercial:**

- redevelopment of Meadowview Shopping Center by new developer including O'Reilly Auto Parts, City Trends, Shelby's Café, Embrace Consignment, Riverside Audiology, a new Planet Fitness all totaling \$6.3 million. Plans are being created for Classic Cinemas to expand the number of theaters. In 2015, the city created TIF #9 whose boundaries encompass the shopping center. The creation of this TIF will enhance the expansion of retail opportunities in this area.
- completion of a new Dollar General store constructed on West Court Street and the completion of a Family Dollar on East Court Street both multi-million dollar projects both adding new property tax and sales tax
- completion of a new Save-a-lot grocery store and strip center in downtown Kankakee creating 25 new full-time jobs-\$2.0 million
- major redevelopment/site reconstruction, Kankakee Gas and Wash LLC, bordering downtown Kankakee adding 15 full-time jobs-\$1.8 million was completed in 2015
- development of Murphy Oil gas station by the Walmart creating 10 jobs-\$1.7 million
- expansion of the Riverside Medical Center facilities for new ICU unit, and catheterization lab-\$2.0 million

### **Residential:**

- expansion of Westwood Oaks Senior Living facility-\$2.4 million and new housing starts at Westwood Estates

### **Infrastructure:**

- continued investments in infrastructure improvements throughout the City including street overlays, sidewalks, curbs, and sewers of over \$55.0 million. In 2015 a \$4.0 million rebuilding of the Stone Street pumping station was completed as well as the development of a new park as part of a neighborhood stabilization plan
- development of a bike path and bridge over the Kankakee River to provide the final section of trail for the Riverfront Trail initiative. This project was awarded a grant from the Illinois Transportation Enhancement Program

### **Future City of Kankakee economic improvements**

- An \$8.0 million dollar residential project named Fountain Square Apartment complex will be constructed in 2017 in downtown Kankakee. Fountain Square will be a four-story building which features 34 market-rate units and a 41-space parking garage on the ground level. This project is being developed by Economic Growth Corporation (GROWTH) based out of Rock Island, IL.
- West Downtown Redevelopment area, created by the Lakota Group, anchored by Presence St. Mary's Hospital to the north, the Kankakee River to the west and River Street to the south
  - ▶ City was awarded a \$2.2 million Federal Emergency Management Agency grant to acquire and demolish 22 properties on River Street to create a River Walk Bike Path along the Kankakee River. To date the city has acquired and demolished nine houses towards the completion of this project.
  - ▶ The development of the River Station Senior Apartments featuring 70 apartments including an on-site health clinic provided by Presence St. Mary's Hospital will be completed in 2017 with occupancy in late 2017. A total of \$16 million dollars were awarded in tax credits by Illinois Housing Development Authority. This project has started construction.
- The National Guard Training and Maintenance facility moving to the Greater Kankakee Airport with completion targeted at the early 2017-\$52.0 million
- The K-Mart property at Exit 312 was sold with plans for redevelopment. The new fuel/travel center including a strip center with retail will be a \$15 million dollar development providing property tax and sales tax revenue for the City. Also, the redesign of the Exit 312 interchange has completed Phase 1 engineering. Phase 2 engineering will begin in early 2017.
- CSL Behring, the City's second largest sewer industrial customer, is currently completing a \$240 million expansion at the plant located in Bourbonnais Township, with an expected completion date of 2017. The City of Kankakee issued \$7.035 million of sewer revenue

bonds to construct a sanitary sewer interceptor able to accommodate the substantially increased production. The projected revenue from the increased production will provide the revenue to service the bond debt. This sewer project has been completed.

In summary, from January of 2012 through the end of October 2016, more than \$30,000,000 in capital investment has been made in the City of Kankakee resulting in the retention of 358 jobs as well as adding 220 new full time positions. The City's infrastructure, location and an established home to a large percentage of the industry within Kankakee County places it in an excellent position to prosper as the economy continues to improve and become stronger.

### **Independent Audit**

Illinois Compiled Statutes require an annual audit of the City's books of account, financial records, and transactions by an independent certified public accountant. The Certified Public Accounting firm of Groskreutz, Abraham, Eshleman & Gerretse performed the audit of the records of the City for the fiscal year ending April 30, 2016. Their report is included herein.

As a recipient of various federal and state financial assistance programs, the City of Kankakee is also required to have an annual audit of certain major federal grant programs performed under the Uniform Guidance. This audit contains information concerning whether grant activity is presented fairly in the general purpose financial statements, whether internal control is sufficient to provide reasonable assurance that the grant funds are managed properly, and whether material grant compliance requirements have been met. The Federal Single Audit is also included in this report.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kankakee, Illinois for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended April 30, 2015. This was the nineteenth consecutive year that the City of Kankakee has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

Timely and fairly presented financial statements and reports are essential to legislative officials, creditors, financial analysts, the general public and others having need for government financial information. The preparation of this report would not have been possible without the efficient and dedicated services of the entire Comptroller's Office staff comprised of Jeannette Holden, Maureen Kambic, and Tamie Seedorf.

We would like to express our appreciation to the Mayor and City Council for their unfailing support in maintaining the highest standard of professionalism in the management of the City of Kankakee's finances. We would also like to express our appreciation to the firm of Groskreutz, Abraham, Eshleman & Gerretse for their professionalism, expertise, and assistance in the preparation of this report, with special appreciation to M.J. Abraham, Partner, Rebecca Schatz, Manager, and auditors Dan Brough, Jason Guest, Matthew Peerbolte, and Cathy Zator.

Respectfully submitted,

A handwritten signature in cursive script that reads "Elizabeth D. Kubal".

Elizabeth D. Kubal  
Comptroller



**City of Kankakee, Illinois**  
**Elected and Appointed Officers and Officials**  
**April 30, 2016**

**Mayor**

Nina Epstein

**City Clerk**

Anjanita Dumas

**Council Members**

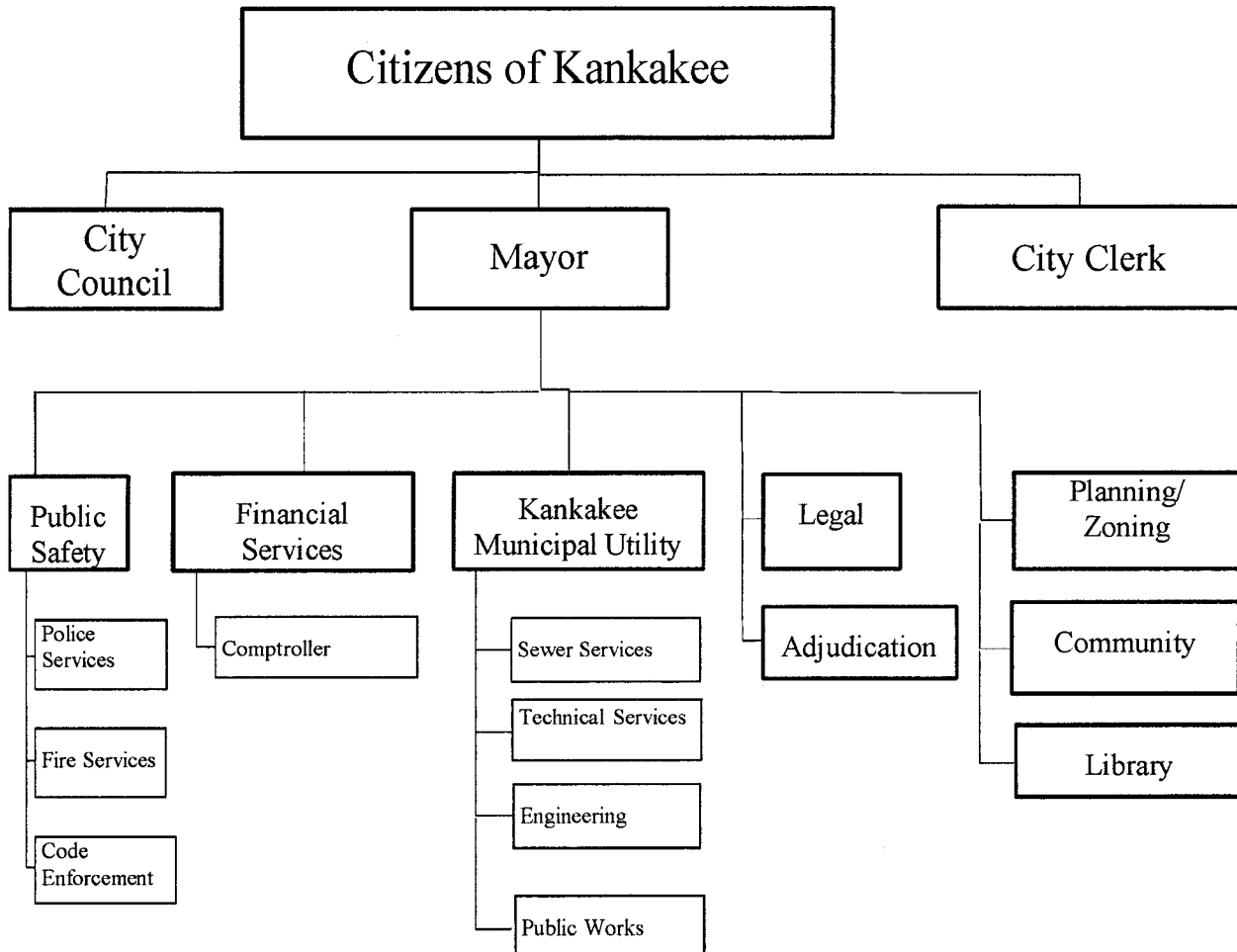
Chasity Wells-Armstrong	Stacy Gall
Dennis Baron	Gloria Kennedy
P. Carl Brown	Michael O'Brien
David Crawford	Larry A. Osenga
Christopher Curtis	Danita Grant Swanson
Glenn E. Davidson	Tyler D. Tall, Sr.
James A. Faford	Fred Tetter

**Appointed Officials**

Larry Regnier	Police Chief
Ronald Young	Fire Chief
Richard Simms	Municipal Utility Superintendent
Chris Bohlen	Chief Legal Counsel
L. Patrick Power	City Attorney and Treasurer
Kristine Schmitz	Adjudication Director
Elizabeth Kubal	Comptroller
Clifford Cross	Community Development Director
	Code Enforcement Director/City Planner
William Yohnka	Economic Development Director
David Tyson	City Engineer
Steve Bertrand	Library Director
Bert Dear	Assistant Superintendent-Public Works
Dennis Doyle	Assistant Superintendent-Public Works
Randy Collins	Assistant Superintendent-Utility Operations
Peter Schiel	Assistant Superintendent-Utility Operations
Patricia Schatz	Assistant Superintendent-Laboratory Services

# City of Kankakee, Illinois

## Organizational Structure





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Kankakee  
Illinois**

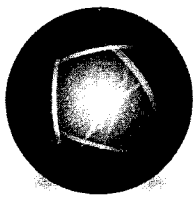
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**April 30, 2015**

Executive Director/CEO

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## **FINANCIAL SECTION**



**INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and City Council  
City of Kankakee, Illinois

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois (the City), as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Kankakee River Metropolitan Agency (KRMA), a joint venture, the investment in which, as discussed in Note 16 to the financial statements, is accounted for by the equity method of accounting. The investment in KRMA was \$ 3,256,256 as of April 30, 2016, and the equity in its net income was \$500,408 for the year then ended. The financial statements of KRMA were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for KRMA, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, as of April 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in Note 1 to the financial statements, effective May 1, 2015, the City adopted provisions of new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pension*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements, the supplemental schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, the supplemental schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, the supplemental schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The prior year comparative information has been derived from the City's 2015 financial statements and, in our prior year report dated November 23, 2015, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Groskreutz, Abraham, Eschleman & Geretse LLC*

Kankakee, Illinois  
November 28, 2016



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## MANAGEMENT'S DISCUSSION AND ANALYSIS APRIL 30, 2016

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The City of Kankakee (City) is pleased to present its Management's Discussion and Analysis (MD&A) related to the City's financial information for the fiscal year ended April 30, 2016. The MD&A serves as an introduction to the City's basic financial statements, and is designed to: 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activity, 3) identify changes in the City's financial position (its ability to address subsequent years' challenges), 4) identify any material deviations from the financial plan (the approved budget), and 5) identify individual fund issues or concerns.

### FINANCIAL SUMMARY

- The assets and deferred outflows of resources of the City lagged its liabilities and deferred inflows of resources by \$(34.3) million net position at the end of the fiscal year 2016 due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (see more on page 6).
- The City's governmental funds reported combined ending fund balances of \$12.8 million. This is an increase of nearly \$1.0 million from the previous fiscal year.
- The City's total bonded debt remained roughly flat. The governmental total bonded debt decreased by \$1.7 million. The business-type total bonded debt increased by increased by \$6.6 million due to the issuance of revenue bond for the CSL Behring expansion project.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. The City of Kankakee's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

### GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements in Table 1, or page 15, are designed to provide readers with a broad overview of the City's finances, in a manner that is congruent to private-sector business. The focus of the Statement of Net Position, the Unrestricted Net Position, is designed to be similar to the bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources which are short-term spendable resources with capital assets and long term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities on pages 16-17 is focused on both the gross and net cost of various activities including governmental and business-type, which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various governmental services. Also, these statements include similar financial information for the various business-type activities and component units.

The government-wide financial statements are a consolidation of all of the City's funds with the exclusion of financial information related to the fiduciary funds. The government-wide financial statements are found on pages 15-17. The business-type financial statements are found on pages 22-27.

The governmental activities reflect the City's basic services, including public safety such as police, fire, and code enforcement, transportation, general administrative services, and culture and recreation. The business-type activities reflect private sector-type operations of the City which include environmental services such as storm water management and sewer collection and treatment, solid waste trash collection services and public works.

The City also includes financial information for two separate legal entities in its report, the City's Public Library and its Special Service Area #1. Although legally separate, these "component units" are important because the City is financially accountable for them. Financial information for these component units is reported separately in this report from the financial information presented for the primary government itself.

## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### **Governmental Funds**

The focus of governmental funds financial statements is on near-term financial resource inflows and outflows sources and uses, on balances of the City's financial resources available at the end of the fiscal year, and on the City's budgeting compliance associated with the financial sources and uses. The financial statements for the governmental funds are presented for a second time, but in a different format. This second presentation of the financial statements by funds provides a comparison of the fund statements to the government-wide financial statements so a reader may better understand the long-term impact of the government's near-term financial decisions. Both the Governmental Funds Balance Sheet on page 18 and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances on page 20 provide reconciliations on pages 19 and 21 to facilitate comparisons between the amounts reported in governmental funds to the amounts reported as governmental activities.

The City maintained 23 individual governmental funds during fiscal 2016, and two additional governmental funds were reported on as component units. Information for the City's major governmental funds; the General Fund and Capital Projects Fund, are presented separately in the Governmental Funds Balance Sheet on page 18 and in the Governmental Fund, Statement of Revenues, Expenditures, and Changes in Fund Balances on page 20. Financial information for the other 21 governmental funds is combined into a single, aggregated presentation in the form of combining statements in the Combining and Individual Fund Financial Statements and Supplemental Schedules section which begins on page 105 of this report.

### **Proprietary Funds**

The proprietary funds are accounted for as business-type activities. The basic proprietary fund financial statements can be found on pages 22-27 of this report. Those financial statements do not change and therefore, are not redisplayed as fund financial statements.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 28 and 29.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the budgetary comparison to actual expenditures for the General Fund, required schedules in regards to the City's pension plans as well as the City's progress in funding its obligation to

other post-employment benefits (OPEB) for its employees. Required supplementary information can be found on pages 89-104 of this report.

### Notes to the Financial Statements

The notes provide additional information that is critical to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-88 of this report.

### STATEMENT OF NET POSITION

The City of Kankakee's combined net position decreased by \$76.8 million - from \$42.5 to \$(34.3) million - during 2016. This change is the result of the \$75.9 million decrease and \$0.9 million decrease in the net position of governmental activities and business-type activities, respectively. The change in net position was significantly impacted by the City's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The implementation of this new accounting standard entailed the additional recognition of net pension liabilities totaling \$74.4 million, deferred inflows of resources of \$1.3 million and deferred outflows of resources amounting to \$11.6 million as of April 30, 2016. These items pertain to the City's participation in the Kankakee Firefighters' Pension Fund, Kankakee Police Pension Fund, and Illinois Municipal Retirement Fund. Under previous accounting standards, the City was only required to report its obligations to the pension funds as a result of the unfunded actuarially determined funding requirements. For more detailed information, see the Statement of Net Position on page 15.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used and are thereby restricted.

The following table presents a condensed, comparative Statement of Net Position:

**Table 1: Statement of Net Position as of April 30, 2016 and 2015 (in millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and Other Assets	\$40.6	\$36.6	\$14.0	\$8.8	\$54.6	\$45.4
Capital Assets	<u>81.7</u>	<u>82.5</u>	<u>34.9</u>	<u>30.6</u>	<u>116.6</u>	<u>113.1</u>
<b>Total Assets</b>	<u>122.3</u>	<u>119.1</u>	<u>48.9</u>	<u>39.4</u>	<u>171.2</u>	<u>158.5</u>
<b>Deferred Outflows of Resources</b>	<u>\$12.3</u>	<u>\$0.8</u>	<u>\$0.6</u>	<u>\$0.1</u>	<u>\$12.9</u>	<u>\$0.9</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>134.6</u>	<u>119.9</u>	<u>49.5</u>	<u>39.5</u>	<u>184.1</u>	<u>159.4</u>
<b>Liabilities</b>						
Long-term Debt Outstanding	160.1	72.8	26.8	17.1	186.9	89.9
Other Liabilities	<u>11.2</u>	<u>7.9</u>	<u>3.2</u>	<u>2.1</u>	<u>14.4</u>	<u>10.0</u>
<b>Total Liabilities</b>	<u>171.3</u>	<u>80.7</u>	<u>30.0</u>	<u>19.2</u>	<u>201.3</u>	<u>99.9</u>
<b>Deferred Inflows of Resources</b>	<u>17.0</u>	<u>17.0</u>	<u>0.1</u>	<u>0.0</u>	<u>17.1</u>	<u>17.0</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>188.3</u>	<u>97.7</u>	<u>30.1</u>	<u>19.2</u>	<u>218.4</u>	<u>116.9</u>
<b>Net Position</b>						
Net investment in capital assets	48.0	45.9	19.6	20.6	67.6	66.5
Restricted	8.6	6.0	3.1	2.2	11.7	8.2
Unrestricted	<u>(110.3)</u>	<u>(29.6)</u>	<u>(3.3)</u>	<u>(2.5)</u>	<u>(113.6)</u>	<u>(32.1)</u>
<b>Total Net Position</b>	<u>(\$53.7)</u>	<u>\$22.3</u>	<u>\$19.4</u>	<u>\$20.3</u>	<u>(\$34.3)</u>	<u>\$42.6</u>

(Note: There may be some slight differences in totals due to rounding)

For more detailed information, see the Statement of Net Position on page 15.

### ***Governmental Activities – Statement of Net Position Summary***

The governmental activities columns present a consolidated view of all of the City's governmental funds. Net position from governmental activities decreased \$76.0 million (FY'16 balance of \$(53.6) million), total assets and deferred outflows of resources increasing \$11.5 million and total liabilities increasing \$90.6 million, as a result of the following major shifts in assets and liabilities:

- cash increased \$4.8 million (31.1% to FY'16 balance of \$20.2 million)
- depreciable assets decreased \$1.3 million (1.7%) as a result of the \$1.7 million charge for normal depreciation
- total net position changed drastically due to the increase in long-term liabilities with the implementation of GASB Statement No. 68 (See Statement of Net Position on page 6 for a greater explanation)

### ***Business-Type Activities – Statement of Net Position Highlights***

The business-type activities column presents financial information for the Environmental Service Utility (ESU), a major fund, and the Motor Vehicle Parking Lot, a non-major fund. As the non-major fund represents less than 10% of the total business-type fund balance, only changes to the major fund are highlighted in the following analysis.

Total net position for the business-type activities decreased \$(0.9) million (4.3% to FY'16 balance of \$19.3 million), with total assets increasing by \$9.5 million (24.0% to FY'16 balance of \$48.9 million) and total liabilities increasing by \$10.8 million (36.0% to FY'16 balance of \$30.0 million). The following major shifts in the Utility fund assets and liabilities included:

- non-depreciable capital assets increased \$5.4 million due to the construction and improvements to the CSL Behring reconstruction sewer project
- investment in joint venture increased \$.5 million due to Kankakee River Metro Agency's (KRMA) increased net position related to higher revenues due to a larger amount of wastewater being treated. KRMA is the waste processing agency for the metro region which recently updated the treatment plant after an accidental explosion at the agency in December 2010 severely damaged the plant
- long-term liabilities for FY'16 increased by \$9.7 million due to the bonding for the CSL Behring reconstruction sewer project and the increase of net pension obligation from the Illinois Municipal Retirement Fund

### ***Component Units – Statement of Net Position Highlights***

The City includes two separate legal entities in its report, the Kankakee Public Library and the Special Service Area No. 1 (SSA #1). Although legally separate, these "component units" are important because the City is financially accountable for them. One component unit, the Kankakee Public Library, comprises 90% of the total assets for the combined component units. There were no significant financial changes in the component units during the fiscal year.

## **STATEMENT OF ACTIVITIES**

The Statement of Activities presents information that indicates how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods for example uncollected taxes and earned but unused vacation leave. The following Statement of Activities table compares the revenues and expenses of the current and most recent fiscal years for the City's governmental and business activities, and the resulting changes in net position:

**Table 2: Statement of Activities for the Fiscal Years Ended April 30, 2016 and 2015 (in millions)**

(Note: There may be some slight differences in totals due to rounding)

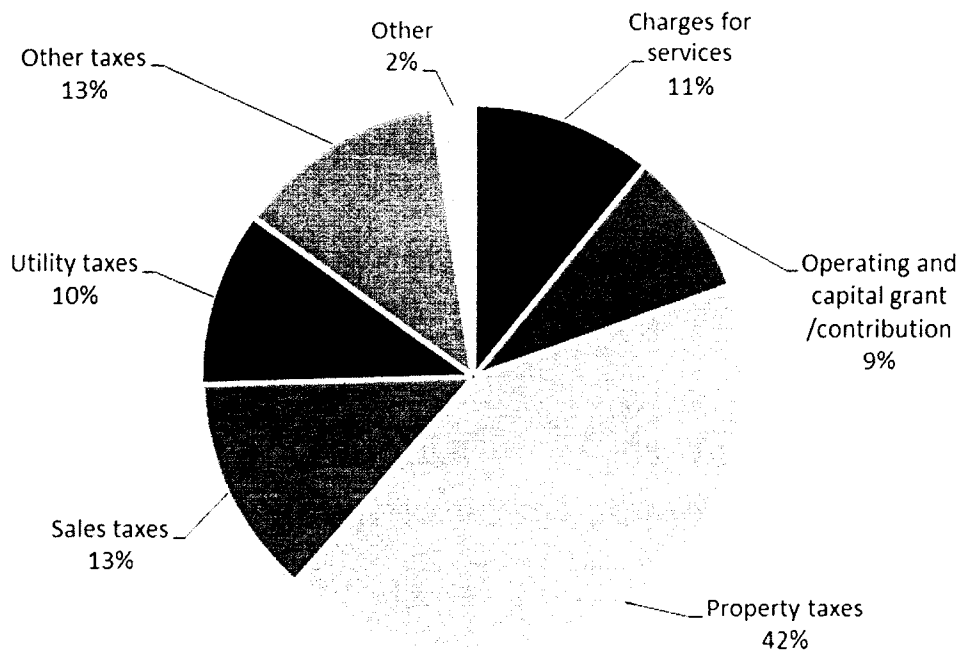
	Governmental			Business-type			Total Primary		
	Activities			Activities			Government Activities		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
<b>Program Revenues</b>									
Charges for service	\$ 3.9	\$ 3.7	\$ 0.2	\$ 16.4	\$ 15.5	\$ 0.9	\$ 20.3	\$ 19.2	\$ 1.1
Capital grants/ contributions	0.0	0.2	(0.2)				0.0	0.2	(0.2)
Operating grants/ contributions	3.1	2.7	0.4				3.1	2.7	0.4
<b>General Revenues</b>									
Property taxes	14.9	15.4	(0.5)				14.9	15.4	(0.5)
Sales taxes	4.7	6.0	(1.3)				4.7	6.0	(1.3)
Utility taxes	3.7	4.0	(0.3)				3.7	4.0	(0.3)
Other taxes	4.6	4.5	0.1				4.6	4.5	0.1
Intergovernmental	0.0	0.0	0.0				0.0	0.0	0.0
Investment income	0.0	0.1	(0.1)				0.0	0.1	(0.1)
Other	0.5	0.5	0.0	0.5	0.2	0.3	1.0	0.7	0.3
Equity interest in joint venture	0.0	0.0	0.0	0.5	1.7	(1.2)	0.5	1.7	(1.2)
<b>Total Revenues</b>	<u>35.4</u>	<u>37.1</u>	<u>(1.7)</u>	<u>17.4</u>	<u>17.4</u>	<u>0.0</u>	<u>52.8</u>	<u>54.5</u>	<u>(1.7)</u>
<b>Program Expenses</b>									
General government	11.7	8.0	3.7				11.7	8.0	3.7
Public safety	18.8	17.7	1.1				18.8	17.7	1.1
Highways and streets	1.8	2.1	(0.3)				1.8	2.1	(0.3)
Community development	1.5	1.4	0.1				1.5	1.4	0.1
Culture and recreation	0.0	0.0	0.0				0.0	0.0	0.0
Economic development	1.2	0.9	0.3				1.2	0.9	0.3
Interest and fiscal charges	2.0	2.3	(0.3)	1.0	0.6	0.4	3.0	2.9	0.1
Proprietary fund expenses	0.0	0.0	0.0	16.8	16.0	0.8	16.8	16.0	0.8
<b>Total Expenses</b>	<u>37.0</u>	<u>32.4</u>	<u>4.6</u>	<u>17.8</u>	<u>16.6</u>	<u>1.2</u>	<u>54.8</u>	<u>49.0</u>	<u>5.8</u>
<b>Changes in</b>									
<b>Net</b>									
<b>Position</b>									
<b>before</b>									
<b>Transfers</b>	(1.6)	4.7	(6.3)	(0.4)	0.8	(1.2)	(2.0)	5.5	(7.5)
<b>Transfers</b>	<u>(0.1)</u>	<u>(0.1)</u>	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total</b>									
<b>Changes in</b>									
<b>Net Position</b>	<u>\$ (1.7)</u>	<u>\$ 4.6</u>	<u>\$ (6.3)</u>	<u>\$ (0.3)</u>	<u>\$ 0.9</u>	<u>\$ (1.2)</u>	<u>\$ (2.0)</u>	<u>\$ 5.5</u>	<u>\$ (7.5)</u>

***Governmental Activities – Statement of Activities Summary***

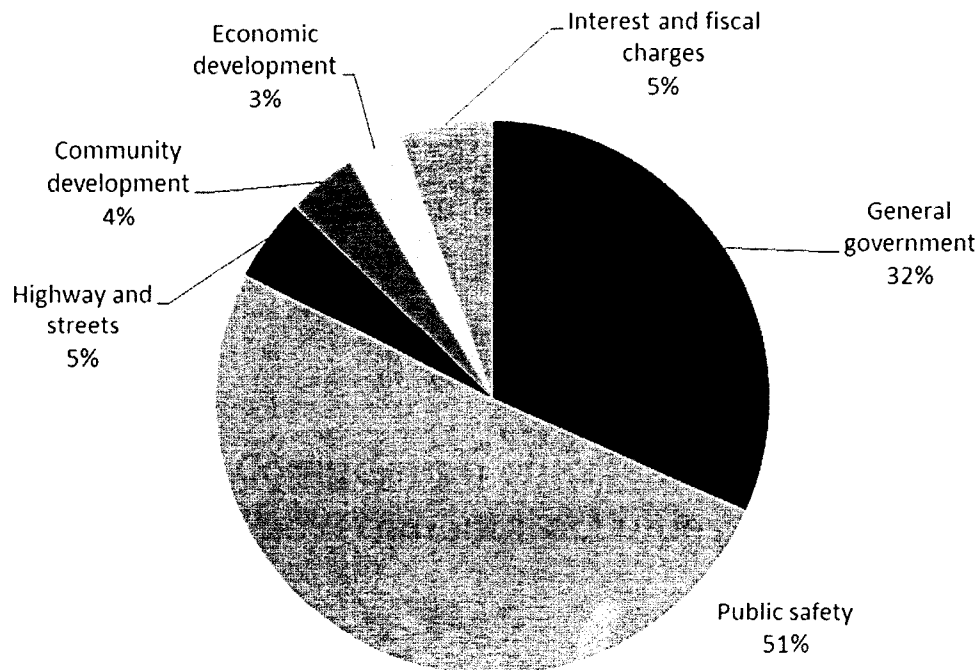
The City posted a decrease in net position from governmental activities before transfers of \$1.6 million compared to an increase of \$2.1 million from the prior year.

The following charts graphically illustrate the composition of the City's revenues and expenses from governmental activities:

**Chart 1: Composition of revenues from governmental activities**



**Chart 2: Composition of expenditures from governmental activities**



### ***Business-Type Activities – Statement of Activities Summary***

The Business-Type Activities has two enterprise funds: the Kankakee Environmental Services Utility (ESU) and the Motor Vehicle Parking fund. ESU is 92% of the net position and therefore will be the focus of this highlight. ESU's operating revenue increased \$0.9 million from FY '15 to FY '16 due to higher sewer charges and greater public works revenue. ESU realized a gain from its equity interest its joint venture with the Kankakee Municipal Regional Agency (KRMA) in the amount of \$0.5 million for FY '16 raising the total equity interest to \$3.2 million. KRMA operates the regional sewer treatment plant. ESU did have increased expenses of \$0.8 million in FY '16 as compared to FY '15 due to greater administration expenses and some unanticipated sewer repairs. Overall, a decrease of \$0.3 million in business-type net position occurred for the fiscal year.

### ***Component Unit Activities – Statement of Activities Summary***

The component units, the Library and the SSA#1, saw no significant change in net position from the previous year.

## **FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS**

For the fiscal year ended April 30, 2016, the governmental funds reflect a combined fund balance of \$12.8 million, an increase of \$0.9 million or 7.9% from the prior fiscal year. Major changes within the individual funds are analyzed below. Of the total fund balance for all governmental funds, \$2.9 million (22.7%) is unassigned, indicating availability for continuing City services. Nonspendable and restricted fund balances include amounts for prepaid items, inventories, debt service, unexpended street maintenance programs, culture and recreation, economic development, retirement obligations, community development and capital projects.

### **Analysis of Balances and Transactions of Individual Funds**

The fund balance of the General Fund decreased \$1.6 million as the City recorded a prior period adjustment regarding a sales tax revenue adjustment. The City continues to prudently manage its resources in light of the national economic challenges. The Capital Projects Fund increased \$2.3 million from the FY'15 balance of \$0.8 million as the City financed \$2.85 million of general obligation bonds with plans to continue completing various capital acquisitions and infrastructure improvements in the near future.

### **General Fund Budgetary Highlights**

The City adopts an annual appropriated budget for the General, Band, Illinois Municipal Retirement Fund (IMRF), Special Service Area No. 2, Special Service Area No. 3, and Special Service Area No. 5 Funds. The procedures used to control expenditures of the other governmental funds are explained further in Note 1, Budgetary Accounting on page 90. As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The General Fund revenue and expenditure budgets were not amended during the fiscal year. A table presenting budgetary highlights for the City's General Fund is provided below.

Because of the City administration's awareness of the national economic conditions, over the past seven years the City reorganized its operations, laid off employees and realized additional personnel reductions through attrition, allowing the City to adopt a balanced budget again for FY '16. The FY '17 budget continued to have reduced sales tax revenue and two new revenue streams of the public safety tax and the vehicle sticker tax that were instituted in the FY '15 budget. As a result of these measures, the City was able to adopt a FY '17 budget that includes a small \$0.04 million surplus.

A summary comparison of the General Fund budget to actual results can be found on page 89, and a more detailed comparison can be found on pages 105-107. Interfund transfers are listed in Footnote 12.



State sales tax mirrored the budget in FY '16 on the revenue side by ending with \$4.7 million as compared to the \$4.6 million budget. State income tax was \$0.6 million more than budgeted due to the City's anticipation of the plans in Springfield to decrease municipalities' income tax when the budget was created. The reduction did not occur as the City prudently anticipated. Both the Police department and Fire department expenditures were greater than budget because of increased salary costs and additional pension contribution made by the City.

Similarly, the City was awarded a federal flow-through grant for the Kankakee Area Metro Enforcement Group after the budget was adopted, so neither the revenues nor corresponding expenditures charged to the Police department were included in the budget. City administration did not feel it was necessary to amend the original budget for these items.

**Table 3: General Fund Budgetary Highlights**

	<b>Original</b>	<b>Final</b>		<b>Over/(Under)</b>
	<b><u>Budget</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Final Budget</u></b>
Revenues	\$ 23,625,285	\$ 23,625,285	\$ 25,091,808	\$ 1,466,523
Expenditures	<u>23,528,285</u>	<u>23,528,285</u>	<u>25,038,889</u>	<u>1,510,604</u>
Excess of Revenues over Expenditures	97,000	97,000	52,919	(44,081)
Other Financing Sources (Uses)				
Transfers from other funds	87,500	87,500	42,225	(45,275)
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(221,468)</u>	<u>221,468</u>
Net Changes in Fund Balance	<u>184,500</u>	<u>184,500</u>	<u>(126,324)</u>	<u>132,112</u>

## **LONG-TERM DEBT**

At fiscal year end, the City's governmental activities had an overall increase of \$12.8 million (8.7%) in debt as the City had a net increase of \$14.7 million for the net pension liability from \$89.5 million in FY '15 to \$104.2 million in FY '16. The general obligation bonds decreased of \$1.6 million from last fiscal year and employee related costs such as compensated absences and post-employment obligations increased only \$0.1 million.

Business-type activity debt increased overall by \$9.0 million primarily due to the \$7.04 million revenue bonds that were issued for the CSL Behring reconstruction sewer project. There was also \$1.7 million additional net obligation added to the Illinois Environmental Protection Agency (IEPA) loan for the Stone Street sewer lift station reconstruction. The Stone Street sewer lift station project is now complete. Employee related costs such as net pension liability, compensated absences, and post-employment obligations increased for a total of \$0.5 million.

The following table further summarizes the City's debt for the current and prior fiscal years:

**Table 5: Debt Highlights for the fiscal years ended April 30, 2016 and 2015 (in millions, as adjusted for premiums and deferred losses)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
General obligation bonds	\$ 48.4	\$ 50.1			\$48.4	\$ 50.1
Revenue bonds			\$ 20.3	\$ 13.5	20.3	13.5
Illinois EPA Loan			3.9	2.2	3.9	2.2
Installment notes	1.3	1.6			1.3	1.6
Unfunded employer						
pension contributions	104.2	89.6	1.2	0.7	105.4	90.3
Compensated absences	5.1	5.	1.1	1.1	6.2	6.2
Net other post-employment						
benefit obligations	<u>1.0</u>	<u>0.8</u>	<u>0.3</u>	<u>0.3</u>	<u>1.3</u>	<u>1.1</u>
Total Debt	<u>\$160.0</u>	<u>\$147.2</u>	<u>\$26.8</u>	<u>\$ 17.8</u>	<u>\$ 186.8</u>	<u>\$ 165.0</u>

Additional information related to the City's long-term debt can be found in Note 11 on pages 72-82.

The City, under its home rule authority, does not have a legal debt limit. The City had a public rating from Standard and Poor's of A beginning in 2006. In November 2013, the City of Kankakee received a rating of A-. This rating was mostly assigned due to the lack of cash reserve, great uncertainty hovering with the sales tax litigation, and increasing pension liabilities. In November 2014 and in March 2016, the City of Kankakee received an affirmed rating of A-/Stable. Standard and Poor's positively stated that the City has very strong budgetary flexibility and strong liquidity, including their view of the City's strong access to external liquidity; however, the same rating was affirmed due to the very weak economy, featuring high unemployment, well-below average economic indicators, and very weak debt and contingent liability position connected with the City's firefighters' and police pension plans. The City has been taking measures to ensure greater financial stability which are written in the Economic Factors and Next Year's Budget section below. The City anticipates issuing additional bonds in the future.

## **CAPITAL ASSETS**

The City's investment in capital assets includes land, construction in progress, buildings and improvements, land improvements, equipment, vehicles, leasehold improvements, and infrastructure such as roads, sidewalks, curbs, gutters, and bridges. The City's total combined investment in capital assets for fiscal 2016 increased by \$3.4 million to \$116.6 million net of accumulated depreciation.

The following table summarizes the City of Kankakee capital assets (in millions, net of depreciation) for the current and prior fiscal year:

**Table 4: Capital Asset Highlights (net of depreciation)**  
for the fiscal years ended April 30, 2016 and 2015  
(in millions)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 5.5	\$ 5.5	\$ 2.1	\$ 2.1	\$ 7.6	\$ 7.6
Construction in progress	1.8	1.5	9.4	4.0	11.2	5.5
Buildings	12.0	12.2	5.4	5.6	17.4	17.8
Equipment	0.4	0.1	0.6	0.7	1.0	0.8
Vehicles	1.3	1.4	0.7	0.8	2.0	2.2
Land improvements	1.8	2.0	-		1.8	2.0
Leasehold improvements			0.2	0.2	0.2	0.2
Infrastructure	<u>58.9</u>	<u>59.9</u>	<u>16.5</u>	<u>17.2</u>	<u>75.4</u>	<u>77.1</u>
Total Capital Assets, net	<u>\$ 81.7</u>	<u>\$ 82.6</u>	<u>\$ 34.9</u>	<u>\$ 30.6</u>	<u>\$ 116.6</u>	<u>\$ 113.2</u>

Additional information on the City's capital assets can be found in Note 6 on pages 67 – 69.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continued to face economic challenges as it started to develop its General Fund budget for FY '17, mostly concerning the continuing decrease of equalized assessed valuation (EAV). The City continued to use a combination of attrition and restructuring as the primary steps to balance the FY '17 budget. The City faces ongoing contractual wage increases, increases in employer contributions for pensions, increases in medical insurance and increases in other operating costs for the foreseeable future in this new era of what appears to be continued municipal revenue shrinkage.

In efforts to provide the City with greater financial strength, the City enacted several measures. During FY '14, the City established an unrestricted cash reserve of \$3.0 million to ensure greater long-term stability. In FY '14 the City adopted the addition of the revenue enhancements of the public safety fee and the vehicle sticker fee, which totaled \$1.4 million and \$1.5 million for FY '15 and FY '16 respectively and will continue for the upcoming fiscal years. In spite of all the IDOR rule changes with sales tax, the City has remained resilient by making fiscally strong decisions.

ESU increased its rates for sewer services beginning May 1, 2016 by 7.5% to a rate of \$6.18 per 100 cubic feet of water used. Rates will be raised again in May 2017 by 7.5% to \$6.64 to support the debt service for KRMA's plant reconstruction. The sewer rate increases will help offset some of the cost increases that ESU has realized as the regional sewer treatment facility passes on its increased costs of operations.

The unemployment rate, not seasonally adjusted, for the City in June 2016 was 6.1% compared to 6.0% for 2015. The City is greatly pleased as this more closely mirrors the national and state unemployment rates. The City's outlook is more favorable from a fund balance perspective than recent years past as the City has begun to see stronger investment in economic development and greater employment. The City continues to seek solutions for the net pension obligation. The City monitors its General Fund finances on a monthly basis to determine when it might need to implement additional strategies to respond to the economic challenges faced by municipalities today.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City of Kankakee's finances for all those with an interest in the government's finances. Any questions concerning this report or requests for additional financial information should be addressed to the Comptroller, City of Kankakee, 304 South Indiana Avenue, Kankakee, Illinois 60901.

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF KANKAKEE, ILLINOIS**  
**STATEMENT OF NET POSITION**  
**April 30, 2016**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 20,222,578	\$ 3,607,774	\$ 23,830,352	\$ 900,002
Restricted cash and investments		4,718,097	4,718,097	
Receivables, less allowance for uncollectible amounts:				
Property taxes	15,513,571		15,513,571	1,888,900
Utility taxes	415,796		415,796	
Due from joint ventures		35,191	35,191	
Due from other governmental agencies	2,171,625	158,365	2,329,990	
Internal balances	(154,842)	154,842	-0-	
Due from component units	40,771		40,771	
Accounts receivable	1,077,752	1,892,357	2,970,109	42,479
Special assessments	975,057		975,057	
Materials inventory	5,131	15,209	20,340	
Prepaid items	353,951	172,731	526,682	
Capital assets:				
Non-depreciable	7,302,222	11,536,223	18,838,445	
Depreciable (net of accumulated depreciation)	74,425,674	23,333,476	97,759,150	6,830,457
Investment in joint venture		3,230,985	3,230,985	
Total assets	122,349,286	48,855,250	171,204,536	9,661,838
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding loss	727,492	90,388	817,880	
Deferred items related to pensions	11,613,883	572,265	12,186,148	107,138
Total deferred outflows of resources	12,341,375	662,653	13,004,028	107,138
<b>Liabilities</b>				
Accounts payable	9,074,021	1,400,040	10,474,061	56,382
Accrued wages payable	584,512	264,872	849,384	
Interest payable	621,400	510,256	1,131,656	
Due to joint venture		1,020,587	1,020,587	
Due to primary government				40,771
Due to other government agencies	600		600	
Employer pension contribution payable	949,797		949,797	
Long-term liabilities:				
Due within one year	7,359,111	993,000	8,352,111	139,995
Due within more than one year	152,704,482	25,830,440	178,534,922	2,433,656
Total liabilities	171,293,923	30,019,195	201,313,118	2,670,804
<b>Deferred Inflows of Resources</b>				
Deferred property tax revenue	15,513,571		15,513,571	1,888,900
Deferred grant revenue	81,612		81,612	
Deferred licenses and fees	147,798		147,798	
Deferred items related to pensions	1,304,936	122,999	1,427,935	23,028
Total deferred inflows of resources	17,047,917	122,999	17,170,916	1,911,928
<b>Net Position</b>				
Net investment in capital assets	48,029,743	19,605,769	67,635,512	4,482,475
Restricted for:				
Capital projects	3,087,460		3,087,460	
Debt service	999,981	3,140,403	4,140,384	
Economic development	3,067,151		3,067,151	
Street maintenance programs	1,474,453		1,474,453	
Unrestricted	(110,309,967)	(3,370,463)	(113,680,430)	710,769
Total net position	\$(53,651,179)	\$ 19,375,709	\$(34,275,470)	\$ 5,193,244

See accompanying notes.

**CITY OF KANKAKEE, ILLINOIS**  
**STATEMENT OF ACTIVITIES**  
**For the year ended April 30, 2016**

		Program Revenues		
		Charges	Operating	Capital
	Expenses	for Services	Grants and	Grants and
			Contributions	Contributions
Primary government:				
<u>Governmental Activities</u>				
General government	\$ 11,751,242	\$ 2,883,199		
Public safety	18,861,700	983,117	\$ 585,039	
Highways and streets	1,846,591		932,176	\$ 48,582
Community development	1,474,846	35,000	1,561,586	
Culture and recreation	16,080			
Economic development	1,165,728			
Interest and fiscal charges	1,966,862			
Total governmental activities	37,083,049	3,901,316	3,078,801	48,582
<u>Business-Type Activities</u>				
Sewer utility	12,866,813	14,450,596		
Solid waste utility	4,968,151	2,890,698		
Vehicle parking	1,175			
Total business-type activities	17,836,139	17,341,294	-0-	-0-
Total primary government	\$ 54,919,188	\$ 21,242,610	\$ 3,078,801	\$ 48,582
Component units:				
Library	\$ 1,997,847	\$ 163,116	\$ 32,842	
Special Service Area No. 1	232,074			
Total component units	\$ 2,229,921	\$ 163,116	\$ 32,842	\$ -0-
General Revenues:				
Property taxes levied for general purposes				
Utility taxes				
Intergovernmental, not restricted to specific programs:				
State replacement income tax				
State income tax				
Local use tax				
State sales tax				
State gaming tax				
Other				
Investment income				
Other				
Total				
Transfers				
Changes in net position				
Net position, May 1, 2015				
Prior period adjustment				
Net position, May 1, 2015, restated				
Net position, April 30, 2016				



Net (Expense) Revenue and Change in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (8,868,043)		\$ (8,868,043)	
(17,293,544)		(17,293,544)	
(865,833)		(865,833)	
121,740		121,740	
(16,080)		(16,080)	
(1,165,728)		(1,165,728)	
(1,966,862)		(1,966,862)	
<u>(30,054,350)</u>		<u>(30,054,350)</u>	
	\$ 1,583,783	1,583,783	
	(2,077,453)	(2,077,453)	
	<u>(1,175)</u>	<u>(1,175)</u>	
<u>-0-</u>	<u>(494,845)</u>	<u>(494,845)</u>	
<u>(30,054,350)</u>	<u>(494,845)</u>	<u>(30,549,195)</u>	
			\$ (1,801,889)
			<u>(232,074)</u>
			<u>(2,033,963)</u>
14,961,115		14,961,115	1,823,286
3,653,811		3,653,811	
688,446		688,446	
2,934,685		2,934,685	
638,954		638,954	
4,741,719		4,741,719	
292,020		292,020	
50,000		50,000	
55,386		55,386	2,009
471,840	68,679	540,519	154,374
<u>28,487,976</u>	<u>68,679</u>	<u>28,556,655</u>	<u>1,979,669</u>
<u>(149,398)</u>	<u>149,398</u>	<u>-0-</u>	
<u>(1,715,772)</u>	<u>(276,768)</u>	<u>(1,992,540)</u>	<u>(54,294)</u>
22,253,538	20,281,418	42,534,956	5,365,286
<u>(74,188,945)</u>	<u>(628,941)</u>	<u>(74,817,886)</u>	<u>(117,748)</u>
<u>(51,935,407)</u>	<u>19,652,477</u>	<u>(32,282,930)</u>	<u>5,247,538</u>
<u>\$ (53,651,179)</u>	<u>\$ 19,375,709</u>	<u>\$ (34,275,470)</u>	<u>\$ 5,193,244</u>

See accompanying notes.

**CITY OF KANKAKEE, ILLINOIS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**April 30, 2016**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 10,593,721	\$ 3,046,019	\$ 6,582,838	\$ 20,222,578
Receivables, less allowance for uncollectible amounts:				
Property taxes	7,689,000		7,824,571	15,513,571
Utility taxes	415,796			415,796
Due from other governmental agencies	1,986,902		184,723	2,171,625
Due from other funds	1,487,352	171,344	2,959,400	4,618,096
Due from component units	35,148		5,623	40,771
Accounts receivable	530,058	8,936	538,758	1,077,752
Special assessments		975,057		975,057
Materials inventory	5,131			5,131
Prepaid items	353,951			353,951
Total assets	<u>\$ 23,097,059</u>	<u>\$ 4,201,356</u>	<u>\$ 18,095,913</u>	<u>\$ 45,394,328</u>
<b>Liabilities</b>				
Accounts payable	\$ 8,867,200	\$ 16,876	\$ 189,945	\$ 9,074,021
Accrued wages payable	543,819		40,693	584,512
Due to other governmental agencies	600			600
Due to other funds	1,019,872	50,545	3,702,521	4,772,938
Employer pension contribution payable	949,797			949,797
Total liabilities	<u>11,381,288</u>	<u>67,421</u>	<u>3,933,159</u>	<u>15,381,868</u>
<b>Deferred Inflows of Resources</b>				
Deferred property tax revenue	7,689,000		7,824,571	15,513,571
Unavailable loan receivable			532,367	532,367
Unavailable special assessments		975,057		975,057
Deferred grant and contribution revenue	10,194	71,418		81,612
Deferred licenses and fees	147,798			147,798
Total deferred inflows of resources	<u>7,846,992</u>	<u>1,046,475</u>	<u>8,356,938</u>	<u>17,250,405</u>
<b>Fund Balance</b>				
Nonspendable	359,082			359,082
Restricted for:				
Debt service			999,981	999,981
Street maintenance programs			1,474,453	1,474,453
Economic development			3,067,151	3,067,151
Culture and recreation			19,401	19,401
Retirement obligations			739,389	739,389
Community development			112,380	112,380
Capital projects		3,087,460		3,087,460
Unassigned (deficit)	3,509,697		(606,939)	2,902,758
Total fund balance	<u>3,868,779</u>	<u>3,087,460</u>	<u>5,805,816</u>	<u>12,762,055</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 23,097,059</u>	<u>\$ 4,201,356</u>	<u>\$ 18,095,913</u>	<u>\$ 45,394,328</u>

See accompanying notes.

**CITY OF KANKAKEE, ILLINOIS**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**April 30, 2016**

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Amounts reported for governmental activities in the  
statement of net position are different because of the following:

Total fund balance - governmental funds		\$ 12,762,055
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		81,727,896
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. All liabilities--both current and long-term--are reported in the statement of net position.		
Bonds payable	\$(48,430,379)	
Installment notes	(1,297,580)	
Net pension liability	(104,242,250)	
Compensated absences	(5,124,000)	
Net other post-employment benefit obligations	<u>(969,384)</u>	
Total long-term liabilities (See Note 10)		(160,063,593)
Deferred charge on bond refunding loss not recorded in funds		727,492
Deferred outflows of resources to pension plans reported in the statement of net position are the consumption of net position that applies to future periods not reported in the funds.		11,613,883
Deferred inflows of resources to pension plans reported in the statement of net position are the acquisition of net position that applies to future periods not reported in the funds.		(1,304,936)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
Interest payable		(621,400)
Certain long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
Loan receivable	532,367	
Special assessment receivable	<u>975,057</u>	
		<u>1,507,424</u>
Net position of governmental activities		<u><u>\$(53,651,179)</u></u>

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See accompanying notes.

**CITY OF KANKAKEE, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the year ended April 30, 2016**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 7,207,662		\$ 7,753,453	\$ 14,961,115
Special assessments			293,780	293,780
Utility taxes	3,653,811			3,653,811
Licenses, permits and fees	3,390,568			3,390,568
Charges for services	108,546			108,546
Fines and penalties	402,202			402,202
Intergovernmental	9,927,362	\$ 6,342	2,487,420	12,421,124
Interest income	9,959		45,427	55,386
Contributions		48,582		48,582
Miscellaneous	391,698		104,705	496,403
Total revenues	<u>25,091,808</u>	<u>54,924</u>	<u>10,684,785</u>	<u>35,831,517</u>
<b>Expenditures:</b>				
Current:				
General government	5,675,611	598,326	852,304	7,126,241
Public safety	18,466,056	134,166		18,600,222
Highways and streets			1,173,461	1,173,461
Community development			1,474,846	1,474,846
Culture and recreation			16,080	16,080
Economic development	887,222		278,506	1,165,728
Debt service:				
Principal retirement	10,000		4,882,961	4,892,961
Interest and fiscal charges			2,121,407	2,121,407
Total expenditures	<u>25,038,889</u>	<u>732,492</u>	<u>10,799,565</u>	<u>36,570,946</u>
Excess (deficiency) of revenues over expenditures	<u>52,919</u>	<u>(677,568)</u>	<u>(114,780)</u>	<u>(739,429)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds		2,850,000		2,850,000
Premium on issuance of bonds		149,145		149,145
Issuance of refunding bonds			3,665,000	3,665,000
Premium on issuance of refunding bonds			169,712	169,712
Payment to refunded debt escrow			(3,733,787)	(3,733,787)
Transfers from other funds	42,225		2,608,158	2,650,383
Transfers to other funds	(221,468)		(2,578,313)	(2,799,781)
Total other financing sources (uses)	<u>(179,243)</u>	<u>2,999,145</u>	<u>130,770</u>	<u>2,950,672</u>
Net change in fund balance	<u>(126,324)</u>	<u>2,321,577</u>	<u>15,990</u>	<u>2,211,243</u>
Fund balance, May 1, 2015	5,509,225	765,883	5,547,858	11,822,966
Prior period adjustment	<u>(1,514,122)</u>		<u>241,968</u>	<u>(1,272,154)</u>
Fund balance, May 1, 2015, restated	<u>3,995,103</u>	<u>765,883</u>	<u>5,789,826</u>	<u>10,550,812</u>
Fund balance, April 30, 2016	<u>\$ 3,868,779</u>	<u>\$ 3,087,460</u>	<u>\$ 5,805,816</u>	<u>\$ 12,762,055</u>

See accompanying notes.

**CITY OF KANKAKEE, ILLINOIS**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**For the year ended April 30, 2016**

Amounts reported for governmental activities on the statement of activities  
are different because of the following:

Net change in fund balance - total governmental funds	\$ 2,211,243
---	--------------

Governmental funds report capital outlays as expenditures. However, on the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. Proceeds from disposal of capital assets are reported as other financing sources in the governmental funds, but as a reduction of capital assets and recognition of gains and losses at the government-wide level.

Expenditure for capital assets	875,303
Loss on disposal of capital assets	(13,910)
Depreciation	(1,744,807)

Repayments of principal from current financial resources is an expenditure in the governmental funds, but are a reduction of long-term liabilities on the statement of net position.

Principal payments on bonds payable	4,550,125
Principal payments on long-term notes payable	342,836
Payment to refunding debt escrow from bond proceeds	3,733,787

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortized bond premium	371,495
Amortized deferred loss	(266,650)
Change in accrued interest on long-term debts	49,703
Net change in compensated absences payable	14,000
Change in net pension liability for pension plans	(14,692,523)
Change in deferred outflows of resources for pension plans	11,438,510
Change in deferred inflows of resources related to pensions	(1,304,936)
Change in net other post-employment benefit obligations payable	(131,249)

Proceeds from issuance of long-term debt obligations are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net position. Premiums related to these long-term debt obligations also are reported as other financing sources in the governmental funds, but they increase liabilities on the statement of net position.

Proceeds from bonds issued	(2,850,000)
Premium on issuance of bonds	(149,145)
Proceeds from refunding bonds issued	(3,665,000)
Premium on issuance of refunding bonds	(169,712)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Net change in franchise fee - long term receivable	(21,062)
--	----------

Collections on special assessment receivable are reported as revenue in the governmental funds, but reduce the receivable in the statement of net position.

	(293,780)
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Change in net position of governmental activities

	\$ (1,715,772)
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See accompanying notes.

**CITY OF KANKAKEE, ILLINOIS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

April 30, 2016

	Enterprise Funds		Total
	Kankakee	Nonmajor	
	Environmental Services Utility	Motor Vehicle Parking	
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 3,478,547	\$ 129,227	\$ 3,607,774
Restricted cash and investments	2,093,600		2,093,600
Receivables, less allowance for uncollectible amounts:			
Due from joint venture	35,191		35,191
Due from other funds	192,963		192,963
Due from other governmental agencies	158,365		158,365
Accounts receivable	1,892,357		1,892,357
Inventory	15,209		15,209
Prepaid items	172,731		172,731
Total current assets	8,038,963	129,227	8,168,190
Non-current assets:			
Restricted cash and investments	2,624,497		2,624,497
Capital assets:			
Non-depreciable	10,092,415	1,443,808	11,536,223
Depreciable (net of accumulated depreciation)	23,333,476		23,333,476
Investment in joint venture	3,230,985		3,230,985
Total non-current assets	39,281,373	1,443,808	40,725,181
Total assets	47,320,336	1,573,035	48,893,371
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding loss	90,388		90,388
Deferred items related to Illinois Municipal Retirement Fund	572,265		572,265
Total deferred outflows of resources	662,653	-0-	662,653

(Continued)

**CITY OF KANKAKEE, ILLINOIS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

(Continued)  
April 30, 2016

	Enterprise Funds		Total
	Kankakee Environmental Services Utility	Nonmajor Motor Vehicle Parking	
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 1,400,040		\$ 1,400,040
Accrued wages payable	264,872		264,872
Accrued interest	510,256		510,256
Due to joint venture	1,020,587		1,020,587
Due to other funds	38,121		38,121
Accrued employee absences	493,000		493,000
Revenue bonds payable within one year	500,000		500,000
	<u>4,226,876</u>	<u>\$ -0-</u>	<u>4,226,876</u>
Total current liabilities			
Non-current liabilities:			
Accrued employee absences	582,200		582,200
Net other post-employment benefit obligations	338,072		338,072
Net pension liability - Illinois Municipal Retirement Fund	1,205,390		1,205,390
Illinois EPA loan payable	3,921,202		3,921,202
Revenue bonds payable, less portion due within one year	19,783,576		19,783,576
	<u>25,830,440</u>	<u>-0-</u>	<u>25,830,440</u>
Total non-current liabilities			
Total liabilities	<u>30,057,316</u>	<u>-0-</u>	<u>30,057,316</u>
<b>Deferred Outflows of Resources</b>			
Deferred items related to Illinois Municipal Retirement Fund	122,999	-0-	122,999
	<u>122,999</u>	<u>-0-</u>	<u>122,999</u>
<b>Net Position</b>			
Net investment in capital assets	18,161,961	1,443,808	19,605,769
Restricted for debt service	3,140,403		3,140,403
Unrestricted	(3,499,690)	129,227	(3,370,463)
	<u>\$ 17,802,674</u>	<u>\$ 1,573,035</u>	<u>\$ 19,375,709</u>
Total net position			

See accompanying notes.

**CITY OF KANKAKEE, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the year ended April 30, 2016**

	Enterprise Funds		
	Kankakee	Nonmajor	
	Environmental	Motor Vehicle	
	Services	Parking	
	Utility		Total
Operating revenues:			
Charges for services:			
Sewer charges	\$ 13,647,571		\$ 13,647,571
Solid waste charges	2,552,766		2,552,766
Public works revenue	210,172		210,172
Total operating revenues	16,410,509	\$ -0-	16,410,509
Operating expenses:			
Utility operations:			
Sewer utility:			
Administration	2,575,182		2,575,182
Sanitary sewers	1,408,814		1,408,814
Lab and industrial services	602,897		602,897
Technical services	739,799		739,799
Total sewer utility	5,326,692	-0-	5,326,692
Solid waste and public works	4,968,151		4,968,151
Total utility operations	10,294,843	-0-	10,294,843
Treatment charges	5,166,274		5,166,274
Parking administration		1,175	1,175
Depreciation	1,322,396		1,322,396
Total operating expenses	16,783,513	1,175	16,784,688
Operating income (loss)	(373,004)	(1,175)	(374,179)

(Continued)



**CITY OF KANKAKEE, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
(Continued)  
For the year ended April 30, 2016

	Enterprise Funds		Total
	Kankakee Environmental Services Utility	Nonmajor Motor Vehicle Parking	
Nonoperating revenues (expenses):			
Equity interest in joint venture			
operating income	\$ 497,264		\$ 497,264
Bond interest rebates	68,679		68,679
Interest and debt-related expenses	(1,051,451)		(1,051,451)
Intergovernmental	127,760		127,760
Miscellaneous income	305,761		305,761
Total nonoperating revenues (expenses)	(51,987)	\$ -0-	(51,987)
Income (loss) before transfers	(424,991)	(1,175)	(426,166)
Transfers in	221,468		221,468
Transfers out	(72,070)		(72,070)
Total transfers	149,398	-0-	149,398
Change in net position	(275,593)	(1,175)	(276,768)
Net position, May 1, 2015	18,707,208	1,574,210	20,281,418
Prior period adjustment	(628,941)	-0-	(628,941)
Net position, May 1, 2015, restated	18,078,267	1,574,210	19,652,477
Net position, April 30, 2016	\$ 17,802,674	\$ 1,573,035	\$ 19,375,709

See accompanying notes.

**CITY OF KANKAKEE, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the year ended April 30, 2016**

	Enterprise Funds		
	Kankakee	Nonmajor	
	Environmental	Motor Vehicle	
	Services	Parking	
	Utility		Total
Cash flows provided (used) by operating activities:			
Receipts from customers and users	\$ 16,372,037		\$ 16,372,037
Payments to other funds	(31,215)		(31,215)
Payments to suppliers	(10,545,121)	\$ (1,175)	(10,546,296)
Payments to employees	(3,890,927)		(3,890,927)
Net cash provided (used) by operating activities	1,904,774	(1,175)	1,903,599
Cash flows provided (used) by noncapital financing activities:			
Transfers from other funds	221,468		221,468
Transfers to other funds	(72,070)		(72,070)
Net cash provided (used) by noncapital financing activities	149,398	-0-	149,398
Cash flows provided (used) by capital and related financing activities:			
Purchase of property and equipment	(143,139)		(143,139)
Additions to construction in progress	(5,406,431)		(5,406,431)
Issuance of revenue bonds	7,035,000		7,035,000
Premium on issuance of revenue bonds	224,575		224,575
Repayment of loan from governmental entity	(75,097)		(75,097)
Receipt of loan from governmental entity	2,058,002		2,058,002
Repayment of revenue bonds	(480,000)		(480,000)
Interest and debt-related expenses	(866,247)		(866,247)
Bond interest rebates received	68,679		68,679
Net cash provided (used) by capital and related financing activities	2,415,342	-0-	2,415,342
Net change in cash and cash equivalents	4,469,514	(1,175)	4,468,339
Cash and cash equivalents, May 1, 2015	3,727,130	130,402	3,857,532
Cash and cash equivalents, April 30, 2016	\$ 8,196,644	\$ 129,227	\$ 8,325,871

(Continued)

**CITY OF KANKAKEE, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**(Continued)**  
**For the year ended April 30, 2016**

	Enterprise Funds		
	Kankakee	Nonmajor	
	Environmental	Motor Vehicle	
	Services	Parking	
	Utility		Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (373,004)	\$ (1,175)	\$ (374,179)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,322,396		1,322,396
Other revenues	158,521		158,521
(Increase) decrease in operating assets and deferred outflows of resources:			
Accounts receivable	(182,277)		(182,277)
Due from other funds	92,724		92,724
Due from other governmental agencies	(107,440)		(107,440)
Inventory	3,771		3,771
Prepaid insurance and service fees	7,553		7,553
Deferred outflows of resources - IMRF	(512,544)		(512,544)
Increase (decrease) in operating liabilities and deferred inflows of resources			
Accounts payable	148,745		148,745
Accrued wages payable	44,470		44,470
Due to joint venture	687,559		687,559
Accrued employee absences	(35,500)		(35,500)
Due to other funds	(31,215)		(31,215)
Net pension liability - IMRF	516,728		516,728
Deferred inflows of resources - IMRF	122,999		122,999
Net other post-employment benefit obligations	41,288		41,288
Net cash provided (used) by operating activities	<u>\$ 1,904,774</u>	<u>\$ (1,175)</u>	<u>\$ 1,903,599</u>
Noncash transactions related to financing, capital and investing activities:			
Amortization of early debt retirement deferred loss	<u>\$ 8,217</u>	<u>\$ -0-</u>	<u>\$ 8,217</u>
Capitalized interest on Illinois EPA loan	<u>\$ 35,268</u>	<u>\$ -0-</u>	<u>\$ 35,268</u>
Net amortization of premium (discount) on bond issuance	<u>\$ (7,828)</u>	<u>\$ -0-</u>	<u>\$ (7,828)</u>
Loan forgiveness on Illinois EPA loan	<u>\$ (275,000)</u>	<u>\$ -0-</u>	<u>\$ (275,000)</u>

See accompanying notes.

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**CITY OF KANKAKEE, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**April 30, 2016**

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**Assets**

Cash and short-term investments	\$ 2,400,933
Receivables, less allowance for uncollectible amounts:	
Employee contributions	38,073
Employer contributions	949,797
Interest	80,009
Investments, at fair value:	
Open-end mutual funds	8,339,522
Corporate securities	7,673,730
U.S. Treasury and agency securities	4,598,272
Corporate bonds	4,554,531
State and local obligations	572,111
Prepaid items	<u>8,709</u>
 Total assets	 29,215,687

**Liabilities**

Benefits and other payables	<u>251,127</u>
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**Net Position**

Net position held in trust for pension benefits	<u><u>\$ 28,964,560</u></u>
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See accompanying notes.

**CITY OF KANKAKEE, ILLINOIS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**For the year ended April 30, 2016**

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Additions:

Contributions:

Employer	\$ 5,467,306
Employee	<u>876,006</u>
Total contributions	<u>6,343,312</u>

Investment income:

Net change in fair value of investments	(980,337)
Interest and dividends	<u>628,398</u>
	(351,939)

Less: investment expense	<u>(192,327)</u>
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Net investment income	<u>(544,266)</u>
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Total additions	<u>5,799,046</u>
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Deductions:

Benefits	5,494,907
Refunds of contributions	51,422
Administrative expense	<u>96,652</u>
Total deductions	<u>5,642,981</u>

Change in net position-restricted for pension benefits	156,065
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Net position held in trust for pension benefits

May 1, 2015	<u>28,808,495</u>
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April 30, 2016	<u><u>\$ 28,964,560</u></u>
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See accompanying notes.

**CITY OF KANKAKEE, ILLINOIS**  
**COMBINING STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**April 30, 2016**

	<u>Kankakee Public Library</u>	<u>Special Service Area No. 1</u>	<u>Totals</u>
<b>Assets</b>			
Cash and investments	\$ 729,443	\$ 170,559	\$ 900,002
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,774,000	114,900	1,888,900
Accounts receivable	42,479		42,479
Prepaid expenses	7,000		7,000
Capital assets:			
Depreciable (net of accumulated depreciation)	<u>6,175,057</u>	<u>655,400</u>	<u>6,830,457</u>
Total assets	<u>8,727,979</u>	<u>940,859</u>	<u>9,668,838</u>
<b>Deferred Outflows of Resources</b>			
Deferred items related to pensions	<u>107,138</u>	<u>-0-</u>	<u>107,138</u>
<b>Liabilities</b>			
Accounts payable	52,393	3,989	56,382
Due to primary government	40,771		40,771
Long-term liabilities:			
Due within one year	139,995		139,995
Due within more than one year	<u>2,433,656</u>		<u>2,433,656</u>
Total liabilities	<u>2,666,815</u>	<u>3,989</u>	<u>2,670,804</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	1,774,000	114,900	1,888,900
Deferred items related to pensions	<u>23,028</u>		<u>23,028</u>
Total deferred inflows of resources	<u>1,797,028</u>	<u>114,900</u>	<u>1,911,928</u>
<b>Net Position</b>			
Net investment in capital assets	3,827,075	655,400	4,482,475
Unrestricted	<u>544,199</u>	<u>166,570</u>	<u>710,769</u>
Total net position	<u>\$ 4,371,274</u>	<u>\$ 821,970</u>	<u>\$ 5,193,244</u>

See accompanying notes.

**CITY OF KANKAKEE, ILLINOIS**  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**For the year ended April 30, 2016**

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		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>
Kankakee Public Library:			
Culture and recreation	\$ 1,876,813	\$ 163,116	\$ 32,842
Interest and fiscal charges	121,034		
Special Service Area No. 1:			
General government	232,074		
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 2,229,921</u>	<u>\$ 163,116</u>	<u>\$ 32,842</u>

General Revenues:

Property taxes levied for general purposes

Interest

Other

Total

Changes in net position

Net position, May 1, 2015

Prior period adjustment

Net position, May 1, 2015, restated

Net position, April 30, 2016



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Net (Expense) Revenue and  
Change in Net Position

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Kankakee Public Library	Special Service Area No. 1	Total
\$ (1,680,855)		\$ (1,680,855)
(121,034)		(121,034)
	\$ (232,074)	(232,074)
(1,801,889)	(232,074)	(2,033,963)
1,709,444	113,842	1,823,286
2,006	3	2,009
139,534	14,840	154,374
1,850,984	128,685	1,979,669
49,095	(103,389)	(54,294)
4,439,927	925,359	5,365,286
(117,748)		(117,748)
4,322,179	925,359	5,247,538
\$ 4,371,274	\$ 821,970	\$ 5,193,244

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See accompanying notes.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Kankakee, Illinois (City), is a home rule unit under the 1970 Constitution of Illinois, Article VII. The City was incorporated in 1865 and operates under an elected Mayor/Council form of government. The City Council is comprised of the Mayor and fourteen Council members. The City's major operations include public safety (police, fire, code enforcement and animal control), public works, highways and streets, community development, culture and recreation, economic development, sewer and solid waste utility, and general administrative services. The following significant accounting policies apply to the City and its component units.

**A. Reporting Entity**

The City follows accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable.

The financial data of the component units is included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

**Blended Component Unit** - A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. For financial reporting purposes, the following component units are reported as if they were part of the City's operations.

1. **Kankakee Environmental Services Utility (Utility)** - The Utility is governed by a board which is comprised mainly of City Council members. As stated in the Utility bylaws, one City Council member from each ward is required to serve on the Utility Board. The Utility accounts for the operation of the sewer and solid waste systems, including the public works services which benefit the citizens of the City.
2. **Community Development Agency** - The Community Development Agency is governed by the City Council. Its major sources of revenue are intergovernmental grants that are used to benefit the citizens of the City.

**Discretely Presented Component Unit** - A discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or whose relationship with the City is such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The following discretely presented component units are reported in a separate column to emphasize that they are legally separate from the City.

1. **Kankakee Public Library (Library)** - The Library is governed by a board appointed by the City Council. The majority of the Library's revenues are from a property tax levy approved by the Council. The City has also assumed the obligation to finance the Library's deficits.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

2. **Special Service Area No. 1 (SSA No. 1)** - SSA No. 1 promotes and develops downtown Kankakee. Its major source of revenues is a property tax levy approved by the City Council.

Separately audited financial statements for the component units are not available. Combining financial statements for the discretely presented component units are presented after the basic financial statements and prior to the notes to the financial statements.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The government-wide statement of net position and statement of activities report the overall financial activities of the City and its component units, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Additionally, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect expenses for centralized functions are included in the direct expenses. Program revenues include 1) fines, fees, and charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** - The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

**General Fund** - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Projects Fund** - This fund accounts for the resources used for capital acquisition and other major capital improvement projects including streets, sidewalks and community development projects. The City has elected to treat the Capital Projects Fund as major, although it has not met the criteria requiring such treatment for fiscal year 2016.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

The City reports the following major proprietary fund:

**Kankakee Environmental Services Utility** - This fund accounts for the provision of sewer services to the residents of the City and operation of the City's waste collection and disposal services. All activities necessary to provide such services are accounted for in this fund, including administration, operations, financing, public works, billing and collection. Activities are funded with user fees.

Additionally, the City reports the following fiduciary fund type:

**Pension Trust Funds** - These funds account for the accumulation of retirement and disability benefits for police and firefighters' pension plans.

**C. New Accounting Pronouncements**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and No. 50, *Pension Disclosures – an amendment of GASB No. 25 and No. 27*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement is effective for the City's fiscal year ended April 30, 2016 and has been implemented within these financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contribution, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. This Statement is to be applied simultaneously with the provisions of GASB Statement No. 68 and is effective for the City's fiscal year ended April 30, 2016 and has been implemented within these financial statements.

**D. Measurement Focus and Basis of Accounting**

**Government-wide, Proprietary and Fiduciary Fund Financial Statements** - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City receives value without directly giving equal value in exchange, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. For example, the 2014 levy is recognized as revenue for the year ended April 30, 2016.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Revenues from grants and other contributions are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions associated with a proprietary fund's principal ongoing activities. Exchange transactions are those in which each party receives and gives up essentially equal values. The principal operating revenues of the City's enterprise funds come from charges to customers for sales and services which include sewer and solid waste charges, utility fees and parking fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

**Governmental Fund Financial Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, except for property tax and income tax, to be available if they are collected within 90 days of the end of the current fiscal period. Revenues for property tax are considered to be available if they are collected within 60 days of the end of the current fiscal year for the year intended to finance. Revenues for income tax are considered to be available if they are collected within 120 to 150 days of the end of the current fiscal year due to further delay in receipt from the State. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt and claims and judgments are recorded only when payment is due. Compensated absences are recorded only when retirement or separation has occurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, income taxes, utility taxes, intergovernmental revenues, franchise taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility) and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports unavailable/unearned and deferred revenue on its financial statements. Unavailable/unearned and deferred revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unavailable/unearned and deferred revenues also arise when the resources are received by the City before it has a legal claim to them or prior to the provision of services. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability or deferred inflow is removed from the financial statements and revenue is recognized.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred inflows of resources until earned.

**E. Investments**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. The value of open-end mutual funds are determined by the pool's share price. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. All external investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

**F. Interfund Transactions**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Interfund balances between governmental funds and between proprietary funds are not included in the government-wide statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not expendable available financial resources.

The City has the following types of interfund transactions:

**Loans** - Amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e., due to other funds) in borrower funds in the fund balance sheets or fund statements of net position.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**Services Provided and Used** - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net position.

**Reimbursements** - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

**Transfers** - Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

**G. Inventory and Prepaid Items**

Inventory, such as fuel and office supplies, is accounted for using the consumption method and is valued at an average weighted cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements accounted for on the consumption method.

Inventory and prepaids reported in the governmental funds are not available for appropriation and therefore result in nonspendable fund balance.

**H. Restricted Cash and Investments - Enterprise Funds**

Certain cash and investments in the Kankakee Environmental Services Utility are restricted in accordance with the ordinances authorizing the issuance of the revenue bonds.

**I. Long-Term Debt, Bond Premiums, Discounts, and Bond Issue Costs**

In the government-wide and proprietary fund financial statements, outstanding debts are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are expensed in the period incurred.

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issue costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs whether or not withheld from the actual debt proceeds received, are reported as expenditures in the period incurred.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**J. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, drainage systems, traffic controls, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Minimum capitalization costs are as follows:

Land	\$ 25,000
Machinery, equipment and vehicles	5,000
Buildings, land improvements, and leasehold improvements	100,000
Infrastructure assets	250,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, whereas improvements extending the useful lives of the related capital assets are capitalized.

Capital assets of the City and its component units are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings, major plant and sewerage equipment	20 - 75
Machinery, equipment and vehicles	5 - 20
Improvements	7 - 40
Infrastructure	25 - 100

**K. Net Position**

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

**Net Investment in Capital Assets** - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus any material unspent bond proceeds.

**Restricted** - This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's practice to use restricted resources first, then unrestricted resources when they are needed.



**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**Unrestricted** - This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

**L.     Compensated Absences**

City employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**M.     Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, including cash in excess of daily requirements that is invested in marketable securities, substantially all of which have a maturity of three months or less when acquired.

**N.     Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**O.     Fund Equity – Governmental Fund Financial Statements**

Fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance is reported for amounts that are either not in a spendable form or legally or contractually required to be maintained intact. Restrictions in fund balance are reported for amounts constrained by legal restrictions from outside entities. Committed fund balance is constrained by an ordinance of the City Council, which is considered the City's highest level of decision making authority. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Assigned fund balance represents amounts constrained by the City's intent to use them for a specific purpose but do not meet the criteria to be classified as committed. The City Council by resolution authorized the Comptroller to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. Any residual fund balance of the General Fund and any deficits in other funds, if any, are reported as unassigned.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

The City's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the City considers committed funds to be expended first, followed by assigned and then unassigned.

**P. Investment in Joint Venture**

The Kankakee Environmental Services Utility has two investments in joint ventures which are reported on the equity method of accounting.

**Q. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has multiple items which qualify for reporting in this category, which includes the deferred charge on bond refunding, pension plans' assumption changes, the difference between projected and actual earning on pension plans' investments and pension contributions which were made subsequent to the pension liability measurement date. They are all reported in the government-wide statement of net position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The pension plans' assumption changes and difference between projected and actual earnings on pension plans' investments is deferred and amortized over the average future service. The pension contributions which were made subsequent to the pension liability measurement date are deferred and recognized as an outflow of resources in the period that they become available.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has multiple types of these items, which qualify for reporting in this category, including grant, license and fee revenue received in advance of meeting the time requirements as well as property taxes reported as a receivable prior to the period for which it was levied. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are intended to finance on both the government-wide statement of net position and the governmental fund balance sheet. The City also has other deferred inflows of resources that arise only under a modified accrual basis of accounting that also qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue of special assessments and loan receivables. The City also has deferred inflow of resources resulting from pension plans' difference between expected and actual experience, which is reported in the government-wide statement of net position only and is amortized over the average future service. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 2 - DEPOSITS AND INVESTMENTS:**

Investing is performed in accordance with investment policies complying with state statutes (as outlined in the Illinois Public Funds Act of 1943) and City charter. These statutes and the City charter authorize the City to invest in direct and general obligations of the United States of America, obligations issued or guaranteed by instrumentalities or agencies of the United States of America, direct and general obligations of any state, interest-bearing demand or time deposits or interest in money market portfolios issued by state banks or trust companies or national banking associations or savings and loan associations that are continuously and fully insured, shares of a diversified open-end management investment company, state pooled investment funds, or repurchase agreements of government securities through banks or trust companies. Police and Fire pension investments are governed by the Illinois Pension Code which authorize, in addition to the above investments, investments in common stock, mutual funds and life insurance company contracts. The City's Police and Firefighters' Pension Funds, under the direction of their respective Boards of Trustees, contractually delegate investment oversight to investment managers.

The City maintains a cash and investment pool that is available for use by the General Fund, Capital Projects Fund, and all special revenue funds (except the Motor Fuel Tax Fund and the Community Development Agency). In addition, non-pooled cash and investments are separately held by several of the City's funds including component units. The deposits and investments of the pension trust funds are held separately from those of the other City funds.

**Deposits:**

The City, component units and pension trust funds' investment policies require all uninsured deposits with financial institutions to be fully collateralized with the collateral held by an independent third party acting as the City's agent and held in the name of the City, component units and pension trust funds, respectively.

At April 30, 2016, the carrying amount of the City's deposits for governmental and business-type activities was \$17,671,547 and the bank balance was \$18,351,170. The entire bank balance was covered through federal depository insurance or by collateral held by the City or its agent, in the City's name.

At April 30, 2016, the carrying amount of deposits of fiduciary activities was \$937,364 and the bank balance was \$976,423 of which \$333,338 was uninsured and uncollateralized. This portion of the bank balance that is uninsured and uncollateralized is a violation of the City's investment policy.

At April 30, 2016, the carrying amount of deposits of the City's component units was \$899,496 and the bank balance was \$1,015,624 of which \$594,413 was uninsured and uncollateralized. This portion of the bank balance that is uninsured and uncollateralized is a violation of the City's investment policy.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):**

**Investments:**

The following table presents the investments and investment maturities of the City and its component units as of April 30, 2016. Categorized investments are insured or registered for which the securities are held by the City or its agent in the City's name. Uncategorized investments are not subject to categorization because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Governmental and business-type activities:					
Uncategorized investments:					
Illinois Funds	\$10,735,321	\$10,735,321			
Illinois Metropolitan Investment Fund (IMET)	<u>139,549</u>	<u>139,549</u>	—	—	—
	<u>10,874,870</u>	<u>10,874,870</u>	\$ -0-	\$ -0-	\$ -0-
Fiduciary activities:					
Categorized investments:					
U.S. Treasury obligation	3,516,259	517,507	1,507,173	690,377	801,202
U.S. Government agencies	1,082,013	327,830	525,434	192,919	35,830
State and local obligation	572,111	55,074	284,268	43,531	189,238
Uncategorized investments:					
Corporate bonds	4,554,531	292,850	1,451,075	1,830,645	979,961
Mutual funds	8,339,522	8,339,522			
Money market	1,463,569	1,463,569			
Common stock (1)	<u>7,673,730</u>				
	<u>27,201,735</u>	<u>10,996,352</u>	<u>3,767,950</u>	<u>2,757,472</u>	<u>2,006,231</u>
Total investments	<u>\$38,076,605</u>	<u>\$21,871,222</u>	<u>\$3,767,950</u>	<u>\$2,757,472</u>	<u>\$2,006,231</u>

(1) Risk disclosures do not apply to equities.

The investments in the securities of U.S. government agencies were all rated AA+ by Standard & Poor's, and Aaa by Moody's Investors Services. The securities of U.S. government agencies at April 30, 2016 consist of the following:

	<u>Fiduciary</u>
FHLMC	\$ 300,546
FNMA	716,772
GNMA	27,281
TVA	<u>37,414</u>
Total	<u>\$1,082,013</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):**

In accordance with the City's investment policy, the City invests in mortgage-backed securities. These securities are reported at fair value and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flow from interest payments is reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated. The City invests in mortgage-backed securities to diversify the portfolio and to increase the return while minimizing the extent of risk.

The City invests in Illinois Funds, an external investment pool administered by the State Treasurer, which is rated AAAM by Standard & Poor's Investment Services. The City also invests in Illinois Metropolitan Investment Fund, an external investment pool administered by and for Illinois public funds managers and financial officers, which is rated Aaa/MRI by Moody's Investors Services. No rating is available for the City's investment in money market funds and corporate bonds which are managed by an investment broker.

**Interest Rate Risk**

The City's investment policy limits investment maturities in the General Fund and special revenue funds to a maximum of 36 months. Investments in other funds may be purchased with a longer maturity to match future project or liability requirements as limited by bond ordinances. However, in practice, the City generally limits the average duration of its investments to less than one year in order to control fair value losses arising from increasing interest rates and to remain sufficiently liquid to meet operating needs. Interest rate risk for investments held by pension trust funds is managed by establishing investment parameters for the investment managers.

**Credit Risk**

The City's investment and cash management policy, as well as the investment policies of the Police and Firefighters' Pension Trust Funds, prescribe to the "prudent person" rule, which states, "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived." The City's investment policy follows the requirements of the State of Illinois Public Funds Investment Act, which prescribes allowable investment vehicles. According to the City's investment policy governing diversification, its investment in Illinois Funds shall not exceed 40 percent of the total investment portfolio unless specifically authorized by the City Council. The City places no limit on the amount the City may invest in any other issuer. The Police and Firefighters' Pension Trust Funds each have separate investment policies, which establish criteria for allowable investments. Both funds follow the requirements of the Illinois Pension Code.

**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS:**

The City contributes to three defined benefit pension plans. The City participates in the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. The City's Police Pension Plan and Firefighters' Pension Plan are single-employer pension plans.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

**A. Pension Expense:**

The City for the fiscal year ended April 30, 2016 recognized a pension expense of \$10,741,608. The pension expense is made up of the following components:

	<u>IMRF</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Service cost	\$ 653,578	\$1,248,064	\$1,013,349
Interest on total pension liability	2,991,986	4,279,987	3,669,410
Projected earning on pension plan investments	(2,783,602)	(1,329,116)	(711,996)
Change in benefit terms	-0-	-0-	-0-
Employee contributions	(264,166)	(525,627)	(350,502)
Pension plan administrative expense	-0-	37,627	58,967
Other changes	338,701	-0-	-0-
Current period recognition of deferred outflows (inflows) of resources:			
Differences between expected and actual in measurement of total pension liability	(198,892)	(181,100)	(72,109)
Change in assumptions	13,416	1,152,573	846,143
Differences between projected and actual earnings on pension plan investments	519,436	329,122	187,989
Change in pension contributions which were made subsequent to pension liability measurement date	(1,630)	-0-	-0-
Total pension expense	<u>\$1,268,827</u>	<u>\$5,011,530</u>	<u>\$4,641,251</u>
Governmental activities – pension expense	\$ 903,531	\$5,011,530	\$4,641,251
Business-type activities – pension expense	307,691	-0-	-0-
Component units - pension expense	<u>57,605</u>	<u>-0-</u>	<u>-0-</u>
Total pension expense	<u>\$1,268,827</u>	<u>\$5,011,530</u>	<u>\$4,461,251</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

**B. Deferred Outflows and inflows of Resources Related to Pension:**

The City, at April 30, 2016, had the following deferred outflows and inflows of resources related to pensions:

	<u>IMRF</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Deferred outflows of resources	<u>\$2,359,859</u>	<u>\$5,119,980</u>	<u>\$4,813,447</u>
Deferred inflows of resources	<u>\$507,214</u>	<u>\$597,628</u>	<u>\$346,121</u>
Deferred outflows of resources:			
Governmental activities	\$1,680,456	\$5,119,980	\$4,813,447
Business-type activities	572,265	-0-	-0-
Component units	<u>107,138</u>	<u>-0-</u>	<u>-0-</u>
Total deferred outflows of resources	<u>\$2,359,859</u>	<u>\$5,119,980</u>	<u>\$4,813,447</u>
Deferred inflows of resources:			
Governmental activities	\$361,187	\$597,628	\$346,121
Business-type activities	122,999	-0-	-0-
Component units	<u>23,028</u>	<u>-0-</u>	<u>-0-</u>
Total deferred inflows of resources	<u>\$507,214</u>	<u>\$597,628</u>	<u>\$346,121</u>

**C. Net Pension Liability:**

The components of the net pension liability as of April 30, 2016 calculated in accordance with GASB Statement No. 67 were as follows:

	<u>IMRF</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Total pension liability	\$41,686,474	\$69,562,466	\$60,104,722
Plan fiduciary net position	<u>36,715,793</u>	<u>19,016,182</u>	<u>9,948,378</u>
Net pension liability	<u>\$ 4,970,681</u>	<u>\$50,546,284</u>	<u>\$50,156,344</u>
Governmental activities - net pension liability	\$3,539,622	\$50,546,284	\$50,156,344
Business-type activities - net pension liability	1,205,390	-0-	-0-
Component units - net pension liability	<u>225,669</u>	<u>-0-</u>	<u>-0-</u>
Net pension liability	<u>\$4,970,681</u>	<u>\$50,546,284</u>	<u>\$50,156,344</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>88.08%</u>	<u>27.34%</u>	<u>16.55%</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

**D. Illinois Municipal Retirement Fund:**

**Plan Description**

The City contributes to the Illinois Municipal Retirement Fund (IMRF), which provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. IMRF is an agent-multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

**Benefits Provided**

The IMRF provides two tiers of pension benefits. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3 percent of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of 3 percent of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount.

**Employees Covered by Benefit Terms**

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	139
Inactive Plan members entitled to but not yet receiving benefits	87
Active Plan members	<u>118</u>
Total	<u>344</u>



**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

**Contributions**

As set by statute, the City's employees are required to contribute 4.5 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2015 was 12.68 percent. For the fiscal year ended April 30, 2016, the City contributed \$750,184 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

The City has recorded an accrual of \$85,516 for its April 2016 contributions due to IMRF.

**Deferred Outflows and inflows of Resources Related to Pension**

The City, at April 30, 2016, had the following deferred outflows and inflows of resources related to IMRF:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
Deferrals at measurement date (December 31, 2015):		
Change in assumptions	\$ 34,212	
Difference between expected and actual experience in measurement of the total pension liability		\$507,214
Difference between projected and actual earnings on plan fiduciary net position	<u>2,077,746</u>	<u>          </u>
Total deferrals at measurement date	2,111,958	507,214
Pension contributions made subsequent to measurement date	<u>247,901</u>	<u>          </u>
Total deferrals April 30, 2016	<u>\$2,359,859</u>	<u>\$507,214</u>

The amounts reported as deferred outflows resulting from pension contributions made subsequent to the measurement date in the above table will be recognized as reductions in the net pension liabilities for the year ending December 31, 2016. The remaining amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31,</u>	<u>Deferred Outflows of Resources</u>
2016	\$ 333,960
2017	333,960
2018	417,386
2019	<u>519,438</u>
Total	<u>\$1,604,744</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

**Actuarial Assumptions**

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2015 using the following actuarial methods and assumptions:

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Asset valuation method	Market
Assumptions:	
Inflation	2.75%
Salary increases	3.75% to 14.50%
Discount rate	7.48%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**Investment Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These expected future real rate of return are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

Best estimates of geometric real rate of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target</u>	<u>Long-term expected real rate of return</u>
Equities	38%	7.39%
International Equities	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternatives	9%	
Private Equity		8.15%
Hedge Funds		5.25%
Commodities		2.25%
Cash Equivalents	1%	2.25%
	<u>100%</u>	

**Single Discount Rate**

A single discount rate of 7.48 percent was used to measure the total pension liability. The projection of cash flow used to determine this single discount rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The single discount rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50 percent, the municipal bond rate is 3.57 percent and the resulting single discount rate is 7.48 percent.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

**Changes in the Net Pension Liability**

	Total Pension Liability <u>(A)</u>	Plan Fiduciary Net Position <u>(B)</u>	Net Pension Liability <u>(A) – (B)</u>
Balances at December 31, 2014	\$40,539,848	\$37,700,006	\$2,839,842
Changes for the year:			
Service cost	653,578		653,578
Interest on the total pension liability	2,991,986		2,991,986
Changes of benefit terms	-0-		-0-
Differences between expected and actual experience of the total pension liability	(706,106)		(706,106)
Changes of assumptions	47,628		47,628
Differences between projected and actual earnings on pension plan investments		(2,597,182)	2,597,182
Contributions – employer		744,362	(744,362)
Contributions – employees		264,166	(264,166)
Net investment income		2,783,602	(2,783,602)
Benefit payments, including refunds of employee contributions	(1,840,460)	(1,840,460)	
Other (Net transfer)	<u>                    </u>	<u>(338,701)</u>	<u>338,701</u>
Net changes	<u>1,146,626</u>	<u>(984,213)</u>	<u>2,130,839</u>
Balances at December 31, 2015	\$41,686,474	\$36,715,793	\$4,970,681

**Sensitivity of the Net Pension Liability to Changes in the Discount**

The following presents the plan's net pension liability, calculated using a single discount rate of 7.48 percent as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

	1% Lower <u>(6.48%)</u>	Current Discount <u>(7.48%)</u>	1% Higher <u>(8.48%)</u>
Net pension liability (asset)	\$10,145,853	\$4,970,681	\$726,397

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

**E. Police Pension Fund:**

**Plan Description**

The City's sworn police personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels and benefit provisions are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the Plan as a pension trust fund. The City does not separately issue audited financial report for the Police Pension Plan.

The plan is governed by a five-member Board of Trustees. Two members of the Board are appointed by the City's Mayor, one member is elected by pension beneficiaries and two members are elected by active police employees.

**Benefits Provided**

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5 percent of final salary for each year of service up to 30 years, to a maximum of 75 percent of such salary.

Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5 percent of final salary for each year of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise the greater of 50 percent of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years by 3 percent of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3 percent of the amount of the pension payable at the time of the increase.

For employees hired after January 1, 2011, the normal retirement age is attainment of age 55 and completion of 10 years of service. Early retirement age is attainment of age 50, completion of 10 years of service and the early retirement factor is 6 percent per year. The employee's accrued benefit is based on the employee's final eight-year average salary not to exceed \$106,800 (as indexed). Cost of living adjustments are simple increases, not compounded, of the lesser of three percent or 50 percent of the Consumer Price Index beginning the later of the anniversary and age 60. Surviving spouse's benefits are 66.67 percent of the employee's benefit at the time of death.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

**Employees Covered by Benefit Terms**

As of April 30, 2016, the following employees were covered by the benefit terms:

Inactive Plan members or beneficiaries currently receiving benefits	61
Inactive Plan members entitled to but not yet receiving benefits	-0-
Active Plan members	<u>68</u>
Total	<u>129</u>

**Contributions**

Employees are required by ILCS to contribute 9.91 percent of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan and administrative costs as actuarially determined by an enrolled actuary. For the year ended April 30, 2016, the City contributed \$2,773,787 to the plan.

**Deferred Outflows and Inflows of Resources Related to Pension**

The City, at April 30, 2016, had the following deferred outflows and inflows of resources related to Police Pension:

Deferrals at measurement date (April 30, 2016):

Deferred outflows of resources:

Change in assumptions	\$3,803,490
Difference between projected and actual earnings on plan fiduciary net position	<u>1,316,490</u>
Total deferred outflows of resources	<u>\$5,119,980</u>

Deferred inflows of resources:

Difference between expected and actual experience in measurement of the total pension liability	<u>\$597,628</u>
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The remaining amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Deferred Outflows</u> <u>of Resources</u>
2017	\$1,300,595
2018	1,300,595
2019	1,300,595
2020	<u>620,567</u>
Total	<u>\$4,522,352</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation performed as of April 30, 2016 using the following actuarial methods and assumptions:

Actuarial valuation date	April 30, 2016
Actuarial cost method	Entry-age normal
Asset valuation method	Market
Assumptions:	
Inflation	2.50%
Salary increases	5.00%
Discount rate	7.00%
Retirement age	50-70
Mortality	The RP-2014 projected to 2016 using improvement scale MP-2015.

**Investment Policy**

The ILCS limits the Police Pension Fund investments to those allowable by the ILCS and require the Police Pension Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Police Pension Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds and Illinois Funds. The Police Pension Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations' tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general store and separate accounts, mutual funds and corporate equity securities and real estate investment trusts. No changes were made during the current year to investment policy.

The Police Pension Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	43%	2.15%
Domestic Equities	35%	3.61%
International Equities	20%	2.02%
Cash	2%	0.07%
Real Estate	0%	0.00%
Total	<u>100%</u>	

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

ILCS limit the Police Pension Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Police Pension Fund's investments was determined using an asset allocation study conducted by the Police Pension Fund's investment management consultant in April 2016 in which the best estimated ranges of expected future real rate of return (including inflation) were developed by major asset class as of December 31, 2015. These ranges were combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return by the target asset allocation percentage. Best estimates or arithmetic real rates of returns excluding inflation for each major asset class included in the Police Pension Fund's target asset allocation as of April 30, 2016, are listed in the table above.

**Investment Valuations**

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market prices at April 30 for debt securities, equity securities, and mutual funds.

**Investment Rate of Return**

For the year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (1.65) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Single Discount Rate**

The discount rate used to measure the total pension liability was 7.00 percent. The projections of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and member rate. Based on these assumptions, the Police Pension Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Police Pension investments was applied to all periods of projected benefit payments to determine the total pension liability.



**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

**Changes in the Net Pension Liability**

	Total Pension Liability <u>(A)</u>	Plan Fiduciary Net Position <u>(B)</u>	Net Pension Liability <u>(A) – (B)</u>
Balances at April 30, 2015	\$62,428,249	\$18,642,060	\$43,786,189
Changes for the year:			
Service cost	1,248,064		1,248,064
Interest on the total pension liability	4,279,987		4,279,987
Changes of benefit terms	-0-		-0-
Differences between expected and actual experience of the total pension liability	(778,728)		(778,728)
Changes of assumptions	4,956,063		4,956,063
Differences between projected and actual earnings on pension plan investments		(1,645,612)	1,645,612
Contributions – employer		2,773,787	(2,773,787)
Contributions – employees		525,627	(525,627)
Net investment income		1,329,116	(1,329,116)
Administrative expense		(37,627)	37,627
Benefit payments, including refunds of employee contributions	(2,571,169)	(2,571,169)	
Other (Net transfer)	_____	-0-	-0-
Net changes	<u>7,134,217</u>	<u>374,122</u>	<u>6,760,095</u>
Balances at April 30, 2016	\$69,562,466	\$19,016,182	\$50,546,284

**Sensitivity of the Net Pension Liability to Changes in the Discount**

The following presents the plan's net pension liability, calculated using a single discount rate of 7.00 percent as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

	1% Lower <u>(6.00%)</u>	Current Discount <u>(7.00%)</u>	1% Higher <u>(8.00%)</u>
Net pension liability (asset)	\$59,958,468	\$50,546,284	\$42,800,581

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

**F. Firefighters' Pension Fund:**

**Plan Description**

The City's Sworn firefighter personnel are covered by the Firefighters' Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the Plan as a pension trust fund. The City does not separately issue audited financial report for the Firefighters' Pension Plan.

The plan is governed by a five-member Board of Trustees. Two members of the Board are appointed by the City's Mayor, one member is elected by pension beneficiaries and two members are elected by active firefighter employees.

**Benefits Provided**

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5 percent of such monthly salary for each additional month of service over 20 years up to 30 years, to a maximum of 75 percent of such monthly salary.

Employees with at least 10 years, but less than 20 years of credited service, may retire at or after age 60 and receive a reduced retirement benefit ranging from 15 percent of final salary for 10 years of service to 45.6 percent for 19 years of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise the greater of 54 percent of final salary or the monthly retirement pension that the deceased firefighter was receiving at the time of death. Surviving children receive 12 percent of final salary. The maximum family survivor benefit is 75 percent of final salary.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55, by 3 percent of the amount of the pension payable at the time of the increase.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

For employees hired after January 1, 2011, the annual retirement benefit is 2.5 percent of final average salary for each year of service up to 30 years, to a maximum of 75 percent of such salary, the normal retirement age is attainment of age 55 and completion of 10 years of service. Early retirement age is attainment of age 50, completion of 10 years of service and early retirement factor of 6 percent per year. The employee's accrued benefit is based on the employee's final eight-year average salary not to exceed \$106,800 (as indexed). Cost of living adjustments are simple increases, not compounded, of the lesser of 3 percent or 50 percent of Consumer Price Index beginning the later of the anniversary date and age 60. Surviving spouse's benefits are 66.67 percent of the employee's benefits at the time of death.

**Employees Covered by Benefit Terms**

As of April 30, 2016, the following employees were covered by the benefit terms:

Inactive Plan members or beneficiaries currently receiving benefits	71
Inactive Plan members entitled to but not yet receiving benefits	6
Active Plan members	<u>48</u>
 Total	 <u>125</u>

**Contributions**

Employees are required by ILCS to contribute 9.455 percent of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan and administrative costs as actuarially determined by an enrolled actuary. For the year ended April 30, 2016, the City contributed \$2,693,520 to the plan.

**Deferred Outflows and Inflows of Resources Related to Pension**

The City, at April 30, 2016, had the following deferred outflows and inflows of resources related to Firefighters' Pension:

Deferrals at measurement date (April 30, 2016):

Deferred outflows of resources:

Change in assumptions	\$4,061,489
Difference between projected and actual earnings on plan fiduciary net position	<u>751,958</u>
Total deferred outflows of resources	<u>\$4,813,447</u>

Deferred inflows of resources:

Difference between expected and actual experience in measurement of the total pension liability	<u>\$346,121</u>
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**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

The remaining amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Deferred Outflows</u> <u>of Resources</u>
2017	\$ 962,023
2018	962,023
2019	962,023
2020	962,023
2021	<u>619,234</u>
Total	<u>\$4,467,326</u>

**Actuarial Assumptions**

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2016 using the following actuarial methods and assumptions:

Actuarial valuation date	April 30, 2016
Actuarial cost method	Entry-age normal
Asset valuation method	Market
Assumptions:	
Inflation	2.50%
Salary increases	5.00%
Discount rate	7.00%
Retirement age	50-70
Mortality	The RP-2014 projected to 2016 using improvement scale MP-2015.

**Investment Policy**

The ILCS limits the Firefighters' Pension Fund investments to those allowable by the ILCS and require the Firefighters' Pension Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Firefighters' Pension Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classification by at least two standard rating services, investment grade corporate bonds and Illinois Funds. The Firefighters' Pension Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations' tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general store and separate accounts, mutual funds and corporate equity securities and real estate investment trusts. No changes were made during the current year to investment policy.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

The Firefighters' Pension Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	48%	2.40%
Domestic Equities	35%	3.61%
International Equities	15%	1.52%
Cash	2%	0.07%
Real Estate	<u>0%</u>	0.00%
Total	<u>100%</u>	

ILCS limit the Firefighters' Pension Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Firefighters' Pension Fund's investments was determined using an asset allocation study conducted by the Firefighters' Pension Fund's investment management consultant in April 2016 in which the best estimated ranges of expected future real rate of return (including inflation) were developed by major asset class as of December 31, 2014. These ranges were combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return by the target asset allocation percentage. Best estimates or arithmetic real rates of returns excluding inflation for each major asset class included in the Firefighters' Pension Fund's target asset allocation as of April 30, 2016 are listed in the table above.

**Investment Valuations**

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market prices at April 30 for debt securities, equity securities, and mutual funds.

**Investment Rate of Return**

For the year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (2.04) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

**Single Discount Rate**

The discount rate used to measure the total pension liability was 7.00 percent. The projections of cash flows used to determine the rate discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and member rate. Based on these assumptions, the Firefighters Pension Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Firefighters Pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability**

	Total Pension Liability <u>(A)</u>	Plan Fiduciary Net Position <u>(B)</u>	Net Pension Liability <u>(A) - (B)</u>
Balances at April 30, 2015	<u>\$53,907,723</u>	<u>\$10,166,436</u>	<u>\$43,741,287</u>
Changes for the year:			
Service cost	1,013,349		1,013,349
Interest on the total pension liability	3,669,410		3,669,410
Changes of benefit terms	-0-		-0-
Differences between expected and actual experience of the total pension liability	(418,230)		(418,230)
Changes of assumptions	4,907,632		4,907,632
Differences between projected and actual earnings on pension plan investments		(939,947)	939,947
Contributions – employer		2,693,520	(2,693,520)
Contributions – employees		350,502	(350,502)
Net investment income		711,996	(711,996)
Administrative expense		(58,967)	58,967
Benefit payments, including refunds of employee contributions	(2,975,162)	(2,975,162)	
Other (Net transfer)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net changes	<u>6,196,999</u>	<u>(218,058)</u>	<u>6,415,057</u>
Balances at April 30, 2016	<u>\$60,104,722</u>	<u>\$ 9,948,378</u>	<u>\$50,156,344</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

**Sensitivity of the Net Pension Liability to Changes in the Discount**

The following presents the plan's net pension liability, calculated using a single discount rate of 7.00 percent as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

	1% Lower <u>(6.00%)</u>	Current Discount <u>(7.00%)</u>	1% Higher <u>(8.00%)</u>
Net pension liability (asset)	\$ <u>57,747,260</u>	\$ <u>50,156,344</u>	\$ <u>43,862,045</u>

**G. Pension Financial Statements:**

The following is a combining statement of plan net position as of April 30, 2016:

	Police Pension Fund	Firefighters' Pension Fund	Totals
Assets:			
Cash and short-term investments	\$ 863,259	\$ 1,537,674	\$ 2,400,933
Receivables, less allowance for uncollectible amounts:			
Employee contributions	23,671	14,402	38,073
Employer contributions	594,026	355,771	949,797
Interest	50,012	29,997	80,009
Investments, at fair value:			
Open-end mutual funds	5,548,576	2,790,946	8,339,522
Corporate securities	5,654,520	2,019,210	7,673,730
U.S. Treasury and agency securities	2,960,522	1,637,750	4,598,272
Corporate bonds	2,945,667	1,608,864	4,554,531
State and local obligations	375,929	196,182	572,111
Prepaid items	<u>                    </u>	<u>8,709</u>	<u>8,709</u>
Total assets	19,016,182	10,199,505	29,215,687
Liabilities:			
Benefits and other payables	<u>-0-</u>	<u>251,127</u>	<u>251,127</u>
Net position held in trust for pension benefits	\$ <u>19,016,182</u>	\$ <u>9,948,378</u>	\$ <u>28,964,560</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):**

The following is a combining statement of changes in plan net position for the year ended April 30, 2016:

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 2,773,787	\$2,693,519	\$ 5,467,306
Employee	<u>525,627</u>	<u>350,379</u>	<u>876,006</u>
Total contributions	<u>3,299,414</u>	<u>3,043,898</u>	<u>6,343,312</u>
Investment income:			
Net change in			
fair value of investments	(565,019)	(415,318)	(980,337)
Interest and dividends	372,574	255,824	628,398
Less: investment expenses	(123,994)	(68,333)	(192,327)
Net investment income	(316,439)	(227,827)	(544,266)
Total additions	<u>2,982,975</u>	<u>2,816,071</u>	<u>5,799,046</u>
Deductions:			
Benefits	2,571,168	2,923,739	5,494,907
Refund of contributions		51,422	51,422
Administrative expenses	<u>37,684</u>	<u>58,968</u>	<u>96,652</u>
Total deductions	<u>2,608,852</u>	<u>3,034,129</u>	<u>5,642,981</u>
Change in net position	374,123	(218,058)	156,065
Net position held in trust for pension benefits:			
May 1, 2015	<u>18,642,059</u>	<u>10,166,436</u>	<u>28,808,495</u>
April 30, 2016	<u>\$19,016,182</u>	<u>\$ 9,948,378</u>	<u>\$28,964,560</u>

**H. Significant Investments:**

There are no significant investments (other than those guaranteed or issued by the U.S. government) in any one organization that represent 5 percent or more of the net position available for benefits except for the following investments:

Police Pension Fund:	
SPDR S&P 500 EFT Trust	\$1,488,601
Vanguard FTSE Developer Markets	<u>1,041,096</u>
	<u>\$2,529,697</u>
Firefighters Pension Fund:	
SPDR S&P 400 EFT Trust	\$1,031,654
Vanguard International Equity Index Fund	<u>506,690</u>
	<u>\$1,538,344</u>



**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS (OPEB):**

**Plan Description**

In addition to providing the pension benefits described, the City provides post-employment health care benefits for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions and any employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is not accounted for as a trust fund; an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activities of the plan are reported in the City's governmental and business-type activities.

**Benefits Provided**

The City provides post-employment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans or meet Consolidated Omnibus Budget Reconciliation Act (COBRA) requirements.

All health care benefits are provided through the City's health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; and prescriptions. Eligibility in the City-sponsored health care plan is not discontinued upon eligibility for federally sponsored health care benefits. The retirees may continue on the City's health plan as a supplement to other plans for which the retirees are eligible.

**Membership**

At April 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	-0-
Terminated employees entitled to benefits but not yet receiving them	15
Active vested plan members	40
Active nonvested plan members	<u>158</u>
Total	<u>213</u>

**Funding Policy**

The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. All retirees contribute 100% of the actuarially determined premium to the plan (except for the sewer operators of Local 399 and exempt employees of the Kankakee Environmental Services Utility retirees who contribute 20% of premium for up to the first three years only), to cover the cost of providing the benefits to the current members via the insured plan (pay as you go) which results in an implicit subsidy to the City as defined by the GASB Statement No. 45. For the fiscal year ending April 30, 2016 retirees contributed \$158,215 and the City contributed \$175,729 toward the implicit subsidy. The City is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS (Continued):**

**Annual OPEB Costs and Net OPEB Obligation**

The City had its actuarial valuation performed for the plan as of April 30, 2015. The net OPEB obligation has been updated through April 30, 2016. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year Ending April 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$348,266	\$175,729	50.0%	\$1,307,456
2015	333,803	130,293	39.0%	1,134,919
2014	308,400	95,141	30.9%	931,409

The net OPEB obligation (NOPEBO) as of April 30, 2016, was calculated as follows:

Annual required contribution	\$ 340,700
Interest on net OPEB obligation	45,397
Adjustment to annual required contribution	<u>(37,831)</u>
Annual OPEB cost	348,266
Contributions made	<u>175,729</u>
Increase in net OPEB obligation	172,537
Net OPEB obligation, beginning of year	<u>1,134,919</u>
Net OPEB obligation, end of year	<u>\$1,307,456</u>

**Funded Status and Funding Progress**

The funded status of the plan as of April 30, 2016 was as follows:

Actuarial accrued liability (AAL)	\$4,484,377
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	4,484,377
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	14,462,987
UAAL as a percentage of covered payroll	31.0%

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS (Continued):**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate starting at .60 percent initially with the second year at 8.50 percent and 5.50 percent ultimately. The actuarial value of assets was not determined as the City has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2015, was 30 years.

**NOTE 5 - PROPERTY TAXES:**

Property taxes are levied each year on all taxable real property located in the City. The City must file its tax levy ordinance by the last Tuesday of December of each year. The owner of real property on January 1 (lien date) in any year is liable for taxes of that year. Property taxes are collected by the Kankakee County Collector who remits to the City its share of the collection. Taxes levied for calendar year 2014 were due, payable, and collected in two installments in June and September 2015.

Revenue for property taxes is recognized in the governmental funds in the year for which the taxes are intended to finance and the funds are available. The City considers property tax revenue to be available if it is collected during the current year or within 60 days after year end. Property taxes levied for calendar year 2014 were intended to finance the fiscal year 2016 expenditures. Accordingly, the City recognized revenue during the year ended April 30, 2016 for collections from the calendar year 2014 levy if it was received by June 30, 2016. Property taxes levied for calendar year 2015, which will be collected in fiscal year 2017, are recorded as receivables and deferred revenue as of April 30, 2016. The 2016 tax levy, which attaches as an enforceable lien on property as of January 1, 2016, has not been recorded as a receivable as of April 30, 2016, as the tax has not yet been levied by the City and will not be levied until December 2016, and therefore, the levy is not measurable at April 30, 2016.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 6 - CAPITAL ASSETS:**

The beginning balance of construction in progress for the capital assets for Governmental Activities was restated by \$88,131 to correct certain errors identified in the prior period. See Note 21. A summary of changes in capital assets of the City and its component units for the year ended April 30, 2016 is as follows:

	Balance May 1, 2015 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2016
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,464,137			\$ 5,464,137
Construction in progress	<u>1,467,966</u>	\$ <u>370,119</u>		<u>1,838,085</u>
Total capital assets not being depreciated	<u>6,932,103</u>	<u>370,119</u>	\$ <u>-0-</u>	<u>7,302,222</u>
Capital assets being depreciated:				
Buildings	14,282,745			14,282,745
Equipment	851,945	371,013		1,222,958
Vehicles	4,433,645	134,171	75,292	4,492,524
Land improvements	3,710,528			3,710,528
Infrastructure	<u>79,720,293</u>			<u>79,720,293</u>
Total capital assets being depreciated	<u>102,999,156</u>	<u>505,184</u>	<u>75,292</u>	<u>103,429,048</u>
Less accumulated depreciation:				
Buildings	2,083,528	199,726		2,283,254
Equipment	762,919	118,545		881,464
Vehicles	2,962,023	266,362	61,382	3,167,003
Land improvements	1,714,183	173,566		1,887,749
Infrastructure	<u>19,797,296</u>	<u>986,608</u>		<u>20,783,904</u>
Total accumulated depreciation	<u>27,319,949</u>	<u>1,744,807</u>	<u>61,382</u>	<u>29,003,374</u>
Total capital assets being depreciated, net	<u>75,679,207</u>	<u>(1,239,623)</u>	<u>13,910</u>	<u>74,425,674</u>
Total capital assets, net	\$ <u>82,611,310</u>	\$ <u>(869,504)</u>	<u>\$13,910</u>	\$ <u>81,727,896</u>

Depreciation expense for governmental activities for the year ended April 30, 2016 was charged to functions as follows:

General government	\$ 362,550
Public safety	395,649
Highways and streets	<u>986,608</u>
	<u>\$1,744,807</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 6 - CAPITAL ASSETS (Continued):**

	Balance May 1, 2015	Additions	Deletions	Balance April 30, 2016
Business-type activities:				
Kankakee Environmental Services Utility:				
Capital assets not being depreciated:				
Land	\$ 652,263			\$ 652,263
Construction in progress	3,998,452	\$ 5,441,700	—	9,440,152
Total capital assets not being depreciated	4,650,715	5,441,700	\$-0-	10,092,415
Capital assets being depreciated:				
Buildings	11,965,986			11,965,986
Equipment	3,636,282	59,528		3,695,810
Vehicles	3,023,494	27,115		3,050,609
Leasehold improvements	289,696			289,696
Infrastructure	30,460,996	56,497	—	30,517,493
Total capital assets being depreciated	49,376,454	143,140	\$-0-	49,519,594
Less accumulated depreciation:				
Buildings	6,303,541	237,223		6,540,764
Equipment	2,978,617	166,176		3,144,793
Vehicles	2,192,181	214,980		2,407,161
Leasehold improvements	96,070	7,019		103,089
Infrastructure	13,293,312	696,999	—	13,990,311
Total accumulated depreciation	24,863,721	1,322,397	-0-	26,186,118
Total capital assets being depreciated, net	24,512,733	(1,179,257)	-0-	23,333,476
Total capital assets, net	\$29,163,448	\$ 4,262,443	\$-0-	\$33,425,891
Motor Vehicle Parking:				
Capital assets not being depreciated:				
Land	\$1,443,808	\$-0-	\$-0-	\$1,443,808
Capital assets being depreciated:				
Equipment	82,384			82,384
Vehicles	18,555			18,555
Land improvements	731,992	—	—	731,992
Total capital assets being depreciated	832,931	-0-	-0-	832,931
Less accumulated depreciation:				
Equipment	82,384			82,384
Vehicles	18,555			18,555
Land improvements	731,992	—	—	731,992
Total accumulated depreciation	832,931	-0-	-0-	832,931
Total capital assets being depreciated, net	-0-	-0-	-0-	-0-
Total capital assets, net	\$1,443,808	\$-0-	\$-0-	\$1,443,808

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 6 - CAPITAL ASSETS (Continued):**

	Balance May 1, 2015	Additions	Deletions	Balance April 30, 2016
Component Units:				
Kankakee Public Library:				
Capital assets being depreciated:				
Buildings	\$7,758,883			\$7,758,883
Equipment	59,489			59,489
Leasehold improvements	294,670	—	—	294,670
Total capital assets being depreciated	8,113,042	\$ -0-	\$-0-	8,113,042
Less accumulated depreciation:				
Buildings	1,643,467	98,831		1,742,298
Equipment	59,489			59,489
Leasehold improvements	121,464	14,734	—	136,198
Total accumulated depreciation	1,824,420	113,565	-0-	1,937,985
Total capital assets, net	\$6,288,622	\$(113,565)	\$-0-	\$6,175,057
Special Service Area No. 1:				
Capital assets being depreciated:				
Land improvements	\$1,126,132	\$ -0-	\$-0-	\$1,126,132
Less accumulated depreciation:				
Land improvements	415,814	54,918	-0-	470,732
Total capital assets, net	\$ 710,318	\$(54,918)	\$-0-	\$ 655,400

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES:**

Interfund balances at April 30, 2016 consisted of the following:

Primary government:	
Governmental funds:	
Due to General Fund from:	
Nonmajor governmental funds	\$1,487,352
Component units:	
Library	\$35,148
Due to Capital Projects Fund from:	
Nonmajor governmental funds	\$171,344

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES (Continued):**

Due to nonmajor governmental funds from:	
Nonmajor governmental funds	\$1,869,583
General Fund	1,001,151
Capital Projects	50,545
Kankakee Environmental Services Utility	<u>38,121</u>
Total	<u>\$2,959,400</u>
Component units:	
Library	<u>\$5,623</u>
Enterprise funds:	
Due to Kankakee Environmental Services Utility from:	
General fund	\$ 18,721
Nonmajor governmental funds	<u>174,242</u>
Total	<u>\$192,963</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. All these interfund balances are expected to be repaid within one year.

**NOTE 8 - ACCOUNTS RECEIVABLE:**

An analysis of the collectability of accounts receivable for sewer, garbage collection, public safety fees, Community Development Agency loans and other receivables was performed as of April 30, 2016. The analysis shows that the collection of approximately \$405,724 of these accounts is doubtful. An allowance for uncollectible accounts for this amount has been recorded. At April 30, 2016, the City has deferred economic development loans receivable of \$532,367 since they will not be available to pay current period expenditures. All other receivables are scheduled for collection during the fiscal year ending April 30, 2017.

Accounts receivable at April 30, 2016, are as follows:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Activities
Governmental activities:				
Trash collection	\$ 160,024			\$160,024
Franchise fees	152,452			152,452
Public safety	155,461			155,461
Economic development loans			\$ 730,024	730,024
Other receivables	<u>232,445</u>	<u>\$8,936</u>	<u>2,134</u>	<u>243,515</u>
Total	700,382	8,936	732,158	1,441,476
Less: allowance for doubtful accounts	<u>(170,324)</u>	<u>-0-</u>	<u>(193,400)</u>	<u>(363,724)</u>
Accounts receivable, net	<u>\$ 530,058</u>	<u>\$8,936</u>	<u>\$ 538,758</u>	<u>\$1,077,752</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 8 - ACCOUNTS RECEIVABLE (Continued):**

	Kankakee Environmental Services <u>Utility</u>
Business-type activities:	
Sewer charges	\$1,627,103
Garbage collection	<u>307,254</u>
Total	1,934,357
Less: allowance for doubtful accounts	(42,000)
Accounts receivable, net	<u>\$1,892,357</u>
	Kankakee Public <u>Library</u>
Component units:	
Sponsorships	\$ 2,370
Room/venue rental	<u>40,109</u>
Total	42,479
Less: allowance for doubtful accounts	<u>-0-</u>
Accounts receivable, net	<u>\$42,479</u>

**NOTE 9 - DUE FROM OTHER GOVERNMENTAL AGENCIES:**

The following receivables are included in due from other governmental agencies:

Governmental activities:	
General Fund:	
Sales tax	\$ 977,792
Local use tax	157,112
State replacement tax	114,108
Income tax	438,704
Gaming tax	31,552
Various grants	<u>267,634</u>
Total General Fund	<u>\$1,986,902</u>



**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 9 - DUE FROM OTHER GOVERNMENTAL AGENCIES (Continued):**

Nonmajor governmental funds:	
CDBG Grant	\$ 41,015
Lead Grant	72,670
ELAP Grant	1,534
EDI Grant	6,835
Motor Fuel Taxes	<u>62,669</u>
Total nonmajor governmental funds	<u>184,723</u>
Total governmental activities	<u>\$2,171,625</u>
Business-type activities:	
Kankakee Environmental Services Utility:	
Kankakee Township	<u>\$158,365</u>

**NOTE 10 - SPECIAL ASSESSMENTS:**

The special assessments receivable of \$975,057 results from the creation of Indian Meadows Special Tax Assessment District for infrastructure costs. The special assessments are recorded when levied. Deferred assessments consist of unbilled special assessments which are liens against the property benefited. \$618,557 of the special assessments receivable is not expected to be collected within one year.

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS:**

The beginning balance of net pension liability for the long-term obligations for Governmental Activities was restated to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. See Note 21.

A summary of changes in long-term debt for the year ended April 30, 2016 is as follows:

	Balance May 1, 2015 (Restated)	Increases	Decreases	Balance April 30, 2016	Due within One Year
Primary Government:					
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 49,294,656	\$ 6,515,000	\$ 8,135,125	\$ 47,674,531	\$5,252,496
Premium on bond proceeds	<u>808,486</u>	<u>318,857</u>	<u>371,495</u>	<u>755,848</u>	<u>      </u>
Total bonds payable	50,103,142	6,833,857	8,506,620	48,430,379	5,252,496
Installment notes	1,640,416		342,836	1,297,580	356,615
Net pension liability	89,549,727	14,692,523		104,242,250	
Compensated absences	5,138,000	1,343,000	1,357,000	5,124,000	1,750,000
Net other post employment benefit obligation	<u>838,135</u>	<u>264,928</u>	<u>133,679</u>	<u>969,384</u>	<u>      </u>
Total long-term debt	<u>\$147,269,420</u>	<u>\$23,134,308</u>	<u>\$10,340,135</u>	<u>\$160,063,593</u>	<u>\$7,359,111</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):**

Business-type activities:

Kankakee Environmental Services Utility:

Bonds Payable:

Revenue bonds	\$13,570,000	\$ 7,035,000	\$ 480,000	\$20,125,000	\$500,000
Premium (discount) on bond proceeds	<u>(58,171)</u>	<u>224,576</u>	<u>7,828</u>	<u>158,577</u>	<u>      </u>

Total bonds payable	13,511,829	7,259,576	487,828	20,283,577	500,000
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Illinois EPA loan	2,178,028	2,093,271	350,097	3,921,202	
Net pension liability	688,662	516,728		1,205,390	
Compensated absences	1,110,700	482,700	518,200	1,075,200	493,000
Net other post employment benefit obligation	<u>296,784</u>	<u>41,288</u>	<u>      </u>	<u>338,072</u>	<u>      </u>

Total long-term debt	<u>\$17,786,003</u>	<u>\$10,393,563</u>	<u>\$1,356,125</u>	<u>\$26,823,441</u>	<u>\$993,000</u>
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Component units:

Capital lease obligations	\$2,481,164		\$133,182	\$2,347,982	\$139,995
Net pension liability	<u>128,929</u>	<u>\$96,740</u>	<u>      </u>	<u>225,669</u>	<u>      </u>

Total long-term debt	<u>\$2,610,093</u>	<u>\$96,740</u>	<u>\$133,182</u>	<u>\$2,573,651</u>	<u>\$139,995</u>
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Long-term liabilities other than debt typically have been liquidated in the General Fund, Kankakee Environmental Services Utility, and Library Fund (a component unit), as applicable.

Long-term debt is comprised of the following:

Governmental  
Activities

General Obligation Bonds

The City has issued several general obligation serial bonds to provide for the costs of the City's various public infrastructure and capital improvement programs. General obligation bonds at April 30, 2016, consist of the following:

\$1,422,327 City of Kankakee serial bonds dated August 2, 2007, due in annual installments on January 1 of amounts ranging from \$267,496 to \$402,672, through January 2018, plus interest ranging from 4.25% to 4.36% payable annually.	\$ 669,531
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\$6,930,000 City of Kankakee serial bonds dated June 1, 2008, due in annual installments on January 1 of amounts ranging from \$315,000 to \$1,075,000, through January 2024, plus interest ranging from 3.45% to 5.25% payable semiannually.	6,615,000
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**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):**

	<u>Governmental Activities</u>
\$10,180,000 City of Kankakee serial bonds dated April 15, 2009, due in annual installments on January 1 of amounts ranging from \$80,000 to \$1,025,000 through January 2029, plus interest ranging from 2.30% to 5.00% payable semiannually.	\$ 9,760,000
\$14,905,000 City of Kankakee serial bonds dated April 15, 2009, due in annual installments on January 1 of amounts ranging from \$35,000 to \$2,275,000, through January 2025, plus interest ranging from 3.00% to 5.00% payable semiannually.	3,945,000
\$5,000,000 City of Kankakee serial bonds dated April 27, 2011, due in annual installments on January 1 of amounts ranging from \$105,000 to \$955,000 through January 2025, plus interest ranging from 2.50% to 4.90% payable semiannually.	4,730,000
\$370,000 City of Kankakee bonds dated April 27, 2011, due in a single installment on January 1, 2020, plus interest of 4.10% payable semiannually.	370,000
\$2,645,000 City of Kankakee serial bonds dated March 13, 2012, due in annual installments on January 1 of amounts ranging from \$80,000 to \$465,000, through January 2019, plus interest ranging from 2.00% to 2.50% payable semiannually.	1,350,000
\$3,915,000 City of Kankakee serial bonds dated October 11, 2012, due in annual installments on January 1 of amounts ranging from \$20,000 to \$535,000, through January 2024, plus interest ranging from 2.00% to 2.90% payable semiannually.	3,395,000
\$3,790,000 City of Kankakee serial bonds dated November 1, 2012, due in annual installments on January 1 of amounts ranging from 100,000 to 1,820,000 through January 2020 plus interest ranging from 2.00% to 3.00% payable semiannually.	2,130,000

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):**

	<u>Governmental Activities</u>
\$2,635,000 City of Kankakee serial bonds dated December 23, 2013, due in annual installments on January 1 of amounts ranging from \$120,000 to \$620,000 through January 2024 plus interest ranging from 2.00% to 3.95% payable semiannually.	\$ 1,780,000
\$6,455,000 City of Kankakee serial bonds dated December 30, 2014, due in annual installments on January 1 of amounts ranging from \$40,000 to \$1,085,000 through January 2025 plus interest ranging from 2.00% to 4.00% payable semiannually.	6,415,000
\$3,665,000 City of Kankakee serial bonds dated April 19, 2016, due in annual installments on January 1 of amounts ranging from \$125,000 to \$675,000, through January 2027, plus interest ranging from 2.00% to 4.00% payable semiannually.	3,665,000
\$2,850,000 City of Kankakee serial bonds dated April 19, 2016, due in annual installments beginning on January 1, 2026 of amounts ranging from \$210,000 to \$315,000, through January 2036, plus interest of 4.00% payable semiannually.	<u>2,850,000</u>
Total general obligation bonds	47,674,531
Add: Unamortized premium on bond issuance	<u>755,848</u>
Total general obligation bonds payable	<u>\$48,430,379</u>

The annual requirements to amortize all general obligation bonds outstanding at April 30, 2016, are as follows:

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 5,252,496	\$ 1,834,872	\$ 7,087,368
2018	4,867,035	1,881,556	6,748,591
2019	5,290,000	1,490,883	6,780,883
2020	4,670,000	1,291,604	5,961,604
2021	3,910,000	1,116,694	5,026,694
2022 – 2026	17,705,000	3,217,340	20,922,340
2027 – 2031	4,525,000	706,674	5,231,674
2032 – 2036	<u>1,455,000</u>	<u>179,000</u>	<u>1,634,000</u>
	<u>\$47,674,531</u>	<u>\$11,718,623</u>	<u>\$59,393,154</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):**

	<u>Governmental Activities</u>
<u>Installment Notes</u>	
Non-interest bearing \$200,000 loan dated February 22, 2005, from the Illinois Finance Authority for the purchase of a fire truck, payable in twenty annual installments of \$10,000, commencing on November 1, 2005 through November 1, 2024.	\$ 90,000
\$2,876,532 general obligation bank note, dated January 30, 2008, secured by the full faith, credit and resources of the City, payable in 10 annual installments of \$352,500, including interest at 4.14%, through January 1, 2018.	707,580
\$500,000 Department of Housing and Urban Development Community Development Block Grant (CDBG) Section 108 loan dated February 27, 2008, secured by current and future CDBG funding allocations. The loan is payable in a one time payment of \$500,000 on December 2017, plus interest paid semi-annually at 1.64%.	<u>500,000</u>
Total installment notes	<u>\$1,297,580</u>

The annual requirements to amortize all long-term installment loans outstanding at April 30, 2016, are as follows:

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 356,615	\$37,522	\$ 394,137
2018	870,965	19,058	890,023
2019	10,000		10,000
2020	10,000		10,000
2021	10,000		10,000
2022 - 2025	<u>40,000</u>		<u>40,000</u>
	<u>\$1,297,580</u>	<u>\$56,580</u>	<u>\$1,354,160</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):**

Capital Lease Obligation

The City has entered into a lease agreement as lessee for financing the acquisition of the library building. This lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments in the accompanying financial statements. The following is a schedule of capital lease obligations and the minimum lease payments:

	<u>Component Unit Library</u>
\$7,758,882 lease, plus interest of \$2,628,206, due in monthly installments of \$21,185, including interest, through October 2028. Payable from Kankakee Public Library Fund, a component unit.	<u>\$2,347,982</u>

The following is an analysis of the assets recorded under capital leases at April 30, 2016:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Component Units - Library:			
Buildings	<u>\$7,758,883</u>	<u>\$1,742,298</u>	<u>\$6,016,585</u>

Future minimum lease payments for all capital lease obligations:

<u>Year Ending April 30,</u>	<u>Component Unit - Library</u>
2017	\$ 254,215
2018	254,215
2019	254,215
2020	254,215
2021	254,215
2022-2026	1,271,075
2027-2029	<u>614,356</u>
Total minimum lease payments	3,156,506
Less: amount representing interest	<u>(808,524)</u>
Present value of minimum lease payments	<u>\$2,347,982</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
<u>Net Pension Liability</u>			
Cumulative difference between the total pension liability and the plan fiduciary net position for the Police Pension Fund	\$ 50,546,284		
Cumulative difference between the total pension liability and the plan fiduciary net position for the Firefighters' Pension Fund	50,156,344		
Cumulative difference between the total pension liability and the plan fiduciary net position for Illinois Municipal Retirement Fund	<u>3,539,622</u>	<u>\$1,205,390</u>	<u>\$225,669</u>
Total net pension liability	<u>\$104,242,250</u>	<u>\$1,205,390</u>	<u>\$225,669</u>

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Compensated Absences</u>		
Vested portion of the vacation and sick leave and other employee benefits which are expected to be paid from the governmental funds and enterprise funds.	<u>\$5,124,000</u>	<u>\$1,075,200</u>
<u>Net Other Post Employment Benefits</u>		
Cumulative difference between the actuarially determined annual other post employment benefit cost and contributions made for the governmental funds and enterprise funds.	<u>\$969,384</u>	<u>\$338,072</u>

Illinois EPA Loan

In February 2015, the City was approved for a \$4,423,385 Illinois Environmental Protection Agency (IEPA) loan for the improvements to the Stone Street lift station, sewer main lining and sewer repairs. As of April 30, 2016, the City owes \$3,921,202 on this loan. This loan is secured by current and future utility revenues and is payable in 40 semi-annual payments, including interest at 1.995%. As of April 30, 2016, the construction for the improvements is still in process and the loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):**

**Revenue Bonds**

Details of the revenue bond indebtedness of the City's Environmental Services Utility Fund at April 30, 2016, are as follows:

	<u>Business-type Activities</u>
\$4,000,000 Sewer Utility serial bonds dated December 1, 2009, due in annual installments on May 1 of amounts ranging from \$220,000 to \$385,000, through May 1, 2024, plus interest at rates ranging from 2.00% to 5.80%, payable semiannually.	\$2,835,000
\$2,700,000 Taxable Sewer Utility serial bonds dated December 2, 2010, due in annual installments beginning on May 1, 2023 of amounts ranging from \$300,000 to \$380,000, through May 2030, plus interest at rates ranging from 5.35% to 6.50%, payable semiannually.	2,700,000
\$2,740,000 Sewer Utility serial bonds dated December 2, 2010, due in annual installments on May 1 of amounts ranging from \$15,000 to \$290,000, through May 2022, plus interest at rates ranging from 2.00% to 3.90%, payable semiannually.	1,835,000
\$2,170,000 Taxable Sewer Utility serial bonds dated August 6, 2013, due in annual installments beginning on May 1, 2017 of amounts ranging from \$215,000 to \$285,000, through May 2025, plus interest at rates ranging from 2.91% to 5.13%, payable semiannually.	2,170,000
\$3,550,000 Taxable Sewer Utility serial bonds dated August 6, 2013, due in annual installments beginning on May 1, 2025 of amounts ranging from \$95,000 to \$460,000, through May 2034, plus interest at rates ranging from 4.38% to 4.88%, payable semiannually.	3,550,000
\$7,035,000 Taxable Sewer Utility serial bonds dated August 27, 2015, due in annual installments beginning on May 1, 2018 of amounts ranging from \$55,000 to \$780,000, through May 2036, plus interest at rates ranging from 3.00% to 4.50%, payable semiannually.	<u>7,035,000</u>
Total revenue bonds	20,125,000
Add: Unamortized premium (discount) on bond issuance	<u>158,577</u>
Total revenue bonds payable	<u>\$20,283,577</u>



**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):**

Debt service on the above revenue bonds payable at April 30, 2016, are as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	500,000	818,309	1,318,309
2018	730,000	890,792	1,620,792
2019	805,000	863,573	1,668,573
2020	930,000	831,994	1,761,994
2021	1,035,000	793,617	1,828,617
2022 - 2026	5,535,000	3,234,022	8,769,022
2027 - 2031	5,280,000	1,960,927	7,240,927
2032 - 2036	<u>5,310,000</u>	<u>704,937</u>	<u>6,014,937</u>
	<u>\$20,125,000</u>	<u>\$10,098,171</u>	<u>\$30,223,171</u>

Revenue bond ordinances of the Kankakee Environmental Services Utility require that certain reserve accounts be maintained at designated minimum dollar amounts or that specific monthly transfers be made to such accounts. The following shows such required reserve balances and the amounts actually reserved at April 30, 2016 in the Utility:

	<u>Required</u>	<u>Actual</u>	<u>Surplus</u> <u>(Deficit)</u>
Operation and maintenance	\$ 874,414	\$1,077,694	\$ 203,280
Bond reserve	1,828,617	1,775,037	(53,580)
Reserve and replacement	500,000	349,460	(150,540)
Bond and interest	1,010,256	1,015,906	5,650
Surplus reserve	<u>-0-</u>	<u>500,000</u>	<u>500,000</u>
	<u>\$4,213,287</u>	<u>\$4,718,097</u>	<u>\$ 504,810</u>

Activity in the reserve accounts during the year ended April 30, 2016 was as follows:

Restricted balance as of May 1, 2015	\$3,572,339
Additions to restricted balance	2,276,642
Revenue bond principal paid	(480,000)
Revenue bond interest	<u>(650,884)</u>
Balance as of April 30, 2016	<u>\$4,718,097</u>

The reserve account balances are represented in the Utility as restricted cash and investments. At April 30, 2016, the above amounts were sufficient to meet the minimum balance or reserve account transfer requirements of the revenue bond ordinance.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):**

The Utility covenants in the bond ordinance to establish, maintain and collect at all times fees, charges and rates for the use and service of the system, sufficient at all times to pay operating and maintenance costs, to pay the principal of and interest on all outstanding revenue bonds of the City which by their terms are payable solely from the revenues, to provide net revenues in each fiscal year in the amount of not less than 120 percent of the current debt service requirement for all outstanding bonds for such fiscal year, and to the extent necessary after the application of the net revenues available pursuant to the rate covenant described in this paragraph, such additional amounts as may be required to provide an adequate depreciation fund, and to provide for the creation and maintenance of the respective reserve accounts described above. "Current Debt Service Requirement" as used in this paragraph means the amount required to be credited under the bond ordinance to the bond and interest account in a given fiscal year. "Revenues" as defined in the bond ordinance and as used in the covenant calculation does not include proceeds from the sale of capacity. During the year ended April 30, 2016, the Utility did comply with this rate covenant. The covenant calculation is included on page 132.

**Required Bond Indenture Disclosures**

**Insurance Coverage** - The plant, buildings and contents of the Kankakee Environmental Services Utility were insured at April 30, 2016 for \$9,057,296 under the City of Kankakee master policy with the Liberty Mutual Insurance Company. The Utility is also included on the master umbrella liability policy with the Chubb Insurance Company and on the City's general liability and auto liability policies with Governmental Insurance Exchange. The master policy includes the following significant coverages:

	<u>Policy limits</u>
Property damage	\$36,291,002
General liability	10,000,000
Auto liability	6,000,000

**Customer and Flow Information** - Most of the customers have a water meter; the number of unmetered customers is negligible. As of April 30, 2016 there were 7,612 customers providing sewer charge revenue as follows:

	<u>Number of Customers</u>	<u>Sewer Charges</u>
Residential and commercial	7,566	\$ 4,459,871
Industrial and institutional	<u>46</u>	<u>9,187,700</u>
Total	<u>7,612</u>	<u>\$13,647,571</u>

**User Rates** - The rates in effect at April 30, 2016 were as follows:

Flow charge (100 cu. ft.)	\$ 5.75
BOD surcharge (lb.)	.40
SS surcharge (lb.)	.40
FOG surcharge (lb.)	.40
GW contaminated (100 cu. ft.)	12.00
Fixed charge (month)	38.00
IPP charges	10%

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):**

**Outstanding Bond Issues** - 2009 bonds due May 1, 2011 to 2019 are noncallable in advance of maturity. 2009 bonds due May 1, 2020 to 2024 are callable on or after May 1, 2019. 2010A and B bonds due May 1, 2011 to 2019 are noncallable in advance of maturity. 2010A and B bonds due May 1, 2020 to 2030 are callable on or after May 1, 2020. 2013A bonds due May 1, 2017 to 2025 are noncallable in advance of maturity. 2013B bonds due May 1, 2014 to 2022 are noncallable in advance of maturity. 2013B bonds due May 1, 2023 to 2034 are callable on or after May 1, 2023. 2015 bonds due May 1, 2026 to 2035 are callable on or after May 1, 2025.

**NOTE 12 - INTERFUND TRANSFERS:**

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>			
	<u>General Fund</u>	<u>Kankakee Environmental Services Utility</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General Fund		\$221,468		\$ 221,468
Kankakee Environmental Services Utility			\$ 72,070	72,070
Nonmajor Governmental	<u>\$42,225</u>	<u>      </u>	<u>2,536,088</u>	<u>2,578,313</u>
	<u>\$42,225</u>	<u>\$221,468</u>	<u>\$2,608,158</u>	<u>\$2,871,851</u>

The following paragraphs provide information concerning the various interfund transfers for the year ended April 30, 2016:

The General Fund transferred \$221,468 to the Kankakee Environmental Service Utility to provide for equipment rental reimbursement disallowed by Illinois state motor fuel tax auditors.

The Kankakee Environmental Services Utility transferred \$72,070 to the Debt Service Fund to provide for bond and interest retirement.

The Community Development Agency transferred \$42,225 to the General Fund for payment towards unreimbursed administrative costs incurred by General Fund on behalf of the community Development Agency in prior years.

The following Tax Increment Financing Districts transferred funds to the Debt Service Fund to provide for bond and interest retirement:

Tax Increment Financing District No. 1	\$464,250
Tax Increment Financing District No. 5	122,931
Tax Increment Financing District No. 6	316,857
Tax Increment Financing District No. 7	40,033
Tax Increment Financing District No. 8	640,543

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 12 - INTERFUND TRANSFERS (Continued):**

The following Bond Funds transferred funds to other Bond Funds for the closing of the Series 2006 Bond Fund and paying for any associated liabilities including debt service.

Series 2009 Fund to Series 2006 Fund	\$145,510
Series 2013 Fund to Series 2006 Fund	336,782
Series 2006 Fund to Series 2007 Fund	327,325
Indian Meadows Fund to Series 2006 Fund	141,857

**NOTE 13 - SEGMENT INFORMATION:**

**Kankakee Environmental Services Utility** - Accounts for the operation of the City sewer and solid waste systems. The City has issued revenue bonds to support its sewer utility activities. The fund financial statements report the Utility as a major fund. All segment report requirements are included in the fund financial statements.

**NOTE 14 - FEDERAL PROGRAM AUDITS:**

The City participates in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, HOME Grants, Lead-based Paint Hazard Control Program and various other public safety grant programs. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of April 30, 2016, significant amounts of grant expenditures have not been audited by the grantors, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

**NOTE 15 - COMMITMENTS:**

**Lease Commitments**

In July 1988, the City leased the Kankakee Dam for 60 years from the Illinois Department of Conservation for the purpose of constructing, operating and maintaining the Hydroelectric Plant. The annual lease payment is based on the number of kilowatt hours of electricity produced by the Hydroelectric Plant. The annual lease payment for the year ended April 30, 2016 was \$1,200.

Kankakee Environmental Services Utility entered into a lease agreement with Space Center Chicago, Inc. on October 5, 2001 to lease 34,922 square feet of office and warehouse space. The lease was scheduled to commence on December 15, 2001, and continue for a period of 240 months. The actual commencement date was April 2002. Rent consists of a base amount plus additional rent composed of operating expenses, amortization of tenant improvements and Common Area Maintenance charges. Rent expense for the year ended April 30, 2016 was \$105,610.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 15 – COMMITMENTS (Continued):**

Kankakee Environmental Services Utility entered into a lease agreement with the Village of Manteno on February 20, 2006, to provide the means and use of the City's ability to transport and treat wastewater generated by the Village of Manteno and provide for the compensation by Manteno for the rights to utilize the collection and treatment capacity owned by Kankakee. The Village of Manteno will lease the transport and treatment capacity of 1,000,000 gallons per day, (365,000,000 gallons annually) from the City for a period of 20 years for a sum of \$150,000 per year. The annual lease payment received for the year ended April 30, 2016 was \$150,000.

Kankakee Environmental Services Utility entered into an intergovernmental agreement with the Village of Chebanse on April 5, 2004, to connect to the City's sewer system for providing sanitary sewer service for the residents of Chebanse. For the year ended April 30, 2016, the Utility received \$137,641 based upon the number of connections established for the residents of Chebanse.

**Contractual Obligations**

The Utility has entered into an intergovernmental agreement with KRMA in order to pay for what the Utility owed KRMA at April 30, 2014 and to prepay an additional \$100,000 of treatment charges. Beginning in August 2014, the Utility was required to pay KRMA \$15,000 per month for 36 months. During the year ended April 30, 2016, the Utility paid \$180,000 towards this obligation.

**Construction Commitments**

The City has several active construction projects as of April 30, 2016. These projects and the City's commitment with contractors at April 30, 2016 are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Governmental activities:		
East/Station parking lot	\$ 19,841	\$ 228,692
Riverfront Trail - phase 2	578,993	1,821,245
Traffic camera project	<u>43,530</u>	<u>65,000</u>
Total	<u>\$642,364</u>	<u>\$2,114,937</u>
Business-type activities:		
Sanitary sewer project	<u>\$4,227,587</u>	<u>\$77,500</u>

**NOTE 16 - INVESTMENT IN JOINT VENTURE:**

**Kankakee River Metropolitan Agency**

Effective May 1, 1996, pursuant to a Municipal Joint Sewage Treatment Agency Intergovernmental Agreement, the City of Kankakee and the Villages of Aroma Park, Bourbonnais, and Bradley agreed to the establishment of an independent agency with authority to operate the Regional Wastewater Treatment Facility (RWTF), raise revenue and exercise other powers as necessary. The independent agency created is the Kankakee River Metropolitan Agency (KRMA). The agreement requires a seven member board comprised of four persons appointed by the Mayor of the City of Kankakee and one person appointed by the Mayor of each village. A majority of five affirmative votes is required to modify this agreement, modify the methodology or the amount of user charges, approve bond issues or any appropriation in excess of \$50,000 or to change the membership of the Agency. On April 22, 1999, KRMA acquired ownership of the RWTF.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 16 - INVESTMENT IN JOINT VENTURE (Continued):**

As of April 30, 2016, the City has recorded in the Kankakee Environmental Services Utility an investment in the joint venture of \$3,256,256 relative to its investment in KRMA and a due to joint venture in the amount of \$1,020,587. During the year ended April 30, 2016, KRMA billed the Utility \$5,166,274 for treatment charges. Also, during the year ended April 30, 2016, the Utility received an ownership rebate of \$272,085 from KRMA.

Financial statements of KRMA can be obtained from the City's comptroller's office. Pertinent financial information for the joint venture as of April 30, 2016 is as follows:

Statement of net position:	
Current assets	\$ 2,292,327
Restricted assets	2,439,078
Capital assets, net	<u>82,658,500</u>
Total assets	87,389,905
Deferred outflows of resources	<u>404,249</u>
Total assets and deferred outflows of resources	<u>87,794,154</u>
Current liabilities	5,318,300
Long-term liabilities	<u>73,618,320</u>
Total liabilities	<u>78,936,620</u>
Total net position	\$ <u>8,857,534</u>
Statement of revenues, expenses and changes in net position:	
Operating revenues	\$11,362,173
Operating expenses	8,359,350
Other income (expense), net	<u>(1,651,155)</u>
Income before special items	1,351,668
Special item – participant rebate	<u>(500,000)</u>
Change in net position	851,668
Ownership percentage	<u>58.76%</u>
Utility's share of change in net position (equity interest in joint venture income)	\$ <u>500,408</u>

**Wi-Fi Kankakee, LLC**

Effective May 15, 2006, pursuant to a joint operating agreement, the City and *Kankakee Daily Journal* (KDJ), a local newspaper company, formed a limited liability company named Wi-Fi Kankakee, LLC (Wi-Fi), with an equal ownership of 50 percent each for the City and KDJ. The purpose of Wi-Fi is to design, acquire, establish, install, operate, maintain and own a system by which authorized individual users (residents, businesses, and visitors) may obtain and use, within the boundaries of the City, wireless access to the internet. The agreement requires each item of Wi-Fi's income, gain, loss, deduction and credit be allocated equally to the City and KDJ.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

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**NOTE 16 - INVESTMENT IN JOINT VENTURE (Continued):**

As of April 30, 2016, the City has recorded in the Environmental Services Utility an investment in joint venture of \$(25,271) relative to its investment in Wi-Fi. A due from joint venture in the amount of \$35,191 is reported in the Environmental Services Utility from City paying for certain initial costs of Wi-Fi.

Audited financial statements of Wi-Fi are not available. At April 30, 2016, the City has recorded in the Environmental Services Utility an equity interest in joint venture income (loss) of Wi-Fi in the amount of \$(3,144).

**NOTE 17 - RISK MANAGEMENT AND LITIGATION:**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City utilizes conventional outside insurance to cover its exposure to such liabilities and worker's compensation claims with standard retention levels. In addition, a safety committee works at prevention activities to keep risk exposure at a minimum level through employee education and monitoring of risk control activities. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City is a defendant in various lawsuits. The City has been named in two lawsuits in regards to its sales tax incentive agreements. See Note 18 for additional details about the agreements. The City has also been named in a lawsuit in regards to a contract for services dispute. Although the outcome of these lawsuits is presently not determinable, in the opinion of the City's Attorney and management, the resolution of these matters will not materially affect the financial condition of the City or any of the individual funds. Therefore, the General Fund contains no provision for estimated claims.

**NOTE 18 - SALES TAX INCENTIVES:**

The City has entered into various sales tax sharing agreements with several retail firms to generate additional revenue for the General Fund. These tax sharing programs are based on the retail firm's willingness to site a purchasing and/or a sales approval office within the boundaries of the City. These agreements provide for rebating a portion of the sales taxes generated on the transactions conducted within the City by the partnering firm. During the fiscal year ended April 30, 2016, \$658,876 in sales taxes were rebated under these agreements. At April 30, 2016, the City owed \$4,782,922 in sales tax incentives to various firms which are reflected in accounts payable in the General Fund.

**NOTE 19 - DEFICIT FUND BALANCE:**

At April 30, 2016, the following funds had a deficit fund balance. This deficit is not in violation of any state law.

Tax Increment Financing District No. 5 Fund	\$ 40,794
Tax Increment Financing District No. 6 Fund	381,461
General Obligation Bonds, Series 2008	39,749
General Obligation Bonds, Series 2009	141,199
General Obligation Bonds, Series 2014	3,736

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 20 - BOND REFUNDING:**

Refunding of General Obligation Bonds, Series 2007A

On April 19, 2016, the City issued \$3,665,000 of General Obligation Bonds, Series 2016A, with an average interest rate of 3.45 percent from which all the proceeds were used to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purposes of the advanced refunding of \$3,585,000 of General Obligation Bonds, Series 2007A with an average interest rate of 4.52 percent.

As a result of the above refunding, the refunded bonds were retired and the liability was removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$148,787. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. The City decreased its total debt service requirements (difference between the cash flow requirements to service old and new debt) over the next 11 years by \$279,845 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$241,018.

**NOTE 21 - RESTATEMENT OF FUND EQUITY/NET POSITION:**

The City of Kankakee has restated its various fund equity/net position as of May 1, 2015, to correct an understatement of sales tax revenue and sales tax incentives owed in prior years, to properly record disallowed motor fuel tax expenditures/expenses from prior year and to write-off old (stale) outstanding checks. Net position as of May 1, 2015 was, also, restated to accrue special assessments receivable and additional capital asset expenses in the prior year and to implement the provisions of new accounting guidance, GASB Statement No. 68 and No. 71.

Fund Financial Statements

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Kankakee Environmental Services Utility</u>
Fund balance/Net position, May 1, 2015, as previously reported	<u>\$5,509,225</u>	<u>\$5,547,858</u>	<u>\$18,707,208</u>
Restated for:			
Sales tax revenue	214,981		
Sales tax incentive owed	(1,564,758)		
Disallowed motor fuel tax expenditures	(241,968)	241,968	
Old outstanding (stale) checks written off	77,623		
Net pension liability			(688,662)
Deferred outflows of resources related to pension	<u>                    </u>	<u>                    </u>	<u>59,721</u>
Prior period adjustment	<u>(1,514,122)</u>	<u>241,968</u>	<u>(628,941)</u>
Fund balance, May 1, 2015, restated	<u>\$3,995,103</u>	<u>\$5,789,826</u>	<u>\$18,078,267</u>



**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2016**

**NOTE 21 - RESTATEMENT OF FUND EQUITY/NET POSITION (Continued):**

Government-Wide Financial Statements

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
Net position, May 1, 2015 as previously stated	\$22,253,538	\$20,281,418	\$5,365,286
Restated for:			
Sales tax revenue	214,981		
Sales tax incentives owed	(1,564,758)		
Old outstanding (stale) checks written off	77,623		
Net pension liability	(74,449,129)	(688,662)	(128,929)
Deferred outflows of resources related to pensions	175,370	59,721	11,181
Special assessment receivable	1,268,837		
Increase in construction in progress	<u>88,131</u>	<u>          </u>	<u>          </u>
Prior period adjustment	(74,188,945)	(628,941)	(117,748)
Net position, May 1, 2015, restated	\$ <u>(51,935,407)</u>	\$ <u>19,652,477</u>	\$ <u>5,247,538</u>

Component Unit – Kankakee Public Library Fund

Net position, May 1, 2015 as previously stated	\$4,439,927
Restated for:	
Net pension liability	(128,929)
Deferred outflows of resources related to pension	<u>11,181</u>
Prior period adjustment	(117,748)
Net position, May 1, 2015, restated	\$ <u>4,322,179</u>

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## **REQUIRED SUPPLEMENTRY INFORMATION**

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the year ended April 30, 2016**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 11,364,697	\$ 11,364,697	\$ 10,861,473	\$ (503,224)
Licenses, permits and fees	2,799,500	2,799,500	3,390,568	591,068
Charges for services	152,000	152,000	108,546	(43,454)
Fines and penalties	396,000	396,000	402,202	6,202
Intergovernmental	8,593,088	8,593,088	9,927,362	1,334,274
Interest			9,959	9,959
Miscellaneous	320,000	320,000	391,698	71,698
Total revenues	<u>23,625,285</u>	<u>23,625,285</u>	<u>25,091,808</u>	<u>1,466,523</u>
Expenditures:				
Current:				
General government	5,721,596	5,721,596	5,675,611	(45,985)
Public safety	17,456,689	17,456,689	18,466,056	1,009,367
Economic development	340,000	340,000	887,222	547,222
Debt service:				
Principal retirement	10,000	10,000	10,000	-0-
Total expenditures	<u>23,528,285</u>	<u>23,528,285</u>	<u>25,038,889</u>	<u>1,510,604</u>
Excess of revenues over expenditures	97,000	97,000	52,919	(44,081)
Other financing sources (uses):				
Transfers from other funds	87,500	87,500	42,225	(45,275)
Transfers to other funds			(221,468)	(221,468)
Total other financing sources (uses)	<u>87,500</u>	<u>87,500</u>	<u>(179,243)</u>	<u>(266,743)</u>
Net change in fund balance	<u>\$ 184,500</u>	<u>\$ 184,500</u>	<u>(126,324)</u>	<u>\$ (310,824)</u>
Fund balance, May 1, 2015			5,509,225	
Prior period adjustment			(1,514,122)	
Fund balance, May 1, 2015, restated			3,995,103	
Fund balance, April 30, 2016			<u>\$ 3,868,779</u>	

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -**  
**BUDGETARY COMPARISON SCHEDULE**  
**April 30, 2016**

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**NOTE 1 - BUDGETARY ACCOUNTING:**

The City adopts annual budgets for the General Fund, Band Fund, Illinois Municipal Retirement Fund, Special Service Area No. 2, Special Service Area No. 3 and Special Service Area No. 5. For Community Development Agency, Motor Fuel Tax, and Tax Increment Financing District Funds, legally authorized non-appropriated budgets are utilized to control expenditures on a project (or designated purpose) basis and are carried forward each year until the project is completed or the grant award has been expended. No legally adopted budgets are prepared for capital projects funds and debt service funds. Expenditures for capital project funds are controlled on a project basis. Expenditures for debt service funds are controlled through general obligation bonds' indenture provisions. Budgets for enterprise funds serve as a spending guide for the City and do not constitute legally binding limitations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the City Council's budget committee submits to the City Council a proposed operating budget for the fiscal year which had commenced May 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to August 1, the budget is legally enacted through passage of the annual appropriation ordinance. This ordinance places legal restrictions on expenditures at the department level for the General Fund and at the fund level for the special revenue funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.
4. Revenues are budgeted by source. Although legal restrictions on expenditures are established at the department level for the General Fund and at the fund level for special revenue funds, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets such as personal services, materials and supplies, capital outlay, contractual and debt service. Expenditures are budgeted by fund and department and classified by function, activity and/or program. Management may transfer budgeted amounts between line items within a department in the General Fund and within a fund in the special revenue funds without the approval of the City Council.
5. All budgets are adopted on a modified accrual basis. Unencumbered and unexpended appropriations lapse at fiscal year end.

**NOTE 2 - EXPENDITURES AND APPROPRIATIONS:**

Excess of expenditures over appropriations in individual funds for the year ended April 30, 2016 was as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$25,038,889	\$23,528,285	\$1,510,604
Band Fund	16,080	16,000	80
Special Service Area No. 5	64,571	33,333	31,238

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF FUNDING PROGRESS**  
**OTHER POST-EMPLOYMENT BENEFIT PLAN**  
**April 30, 2016**

Actuarial Valuation Date April 30,	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) Entry-Age Normal ( b )	Funded Ratio ( a/b )	Unfunded Actuarial Accrued Liability (UAAL) ( b-a )	Active Members' Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll (( b-a ) / c )
2016	\$ -0-	\$ 4,484,377	0.00%	\$ 4,484,377	\$ 14,462,987	31.01%
2015	-0-	4,484,377	0.00%	4,484,377	14,308,160	31.34%
2014	-0-	4,352,020	0.00%	4,352,020	14,839,261	29.33%
2013	-0-	4,352,020	0.00%	4,352,020	14,730,118	29.55%
2012	-0-	5,835,321	0.00%	5,835,321	14,194,202	41.11%
2011	-0-	5,835,321	0.00%	5,835,321	14,375,604	40.59%
2010	-0-	3,220,549	0.00%	3,220,549	14,145,833	22.77%
2009	-0-	3,220,549	0.00%	3,220,549	12,852,862	25.06%

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
**April 30, 2016**

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Calendar Year Ended December 31,	<u>2015</u>
Actuarially Determined Contribution	\$ 744,362
Contributions in Relation to the Actuarially Determined Contribution	<u>744,362</u>
Contribution Deficiency	<u><u>\$ -0-</u></u>
Covered-Employee Payroll	\$ 5,870,367
Contributions as a Percentage of Covered-Employee Payroll	12.68%

Since the City implemented GASB Statement No. 68 in 2016, more information will be displayed when it becomes available.

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**POLICE PENSION FUND**  
**April 30, 2016**

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Fiscal Year Ended April 30,	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 2,773,787	\$ 2,374,597
Contributions in Relation to the Actuarially Determined Contribution	<u>2,773,787</u>	<u>2,374,597</u>
Contribution Deficiency	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered-Employee Payroll	\$ 4,984,771	\$ 4,993,793
Contributions as a Percentage of Covered-Employee Payroll	55.65%	47.55%

Since the City implemented GASB Statement No. 67 in 2015, more information will be displayed when it becomes available.



**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FIREFIGHTERS' PENSION FUND**  
**April 30, 2016**

---

Fiscal Year Ended April 30,	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 2,693,519	\$ 2,506,562
Contributions in Relation to the Actuarially Determined Contribution	<u>2,693,519</u>	<u>2,506,562</u>
Contribution Deficiency	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered-Employee Payroll	\$ 3,607,849	\$ 3,618,844
Contributions as a Percentage of Covered-Employee Payroll	74.66%	69.26%

Since the City implemented GASB Statement No. 67 in 2015, more information will be displayed when it becomes available.

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**OTHER POST-EMPLOYMENT BENEFIT PLAN**  
**April 30, 2016**

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<u>Year Ended April 30,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employer Contributions</u>	<u>Percentage Contributed</u>
2016	\$ 340,698	\$ 175,729	51.58%
2015	327,594	130,293	39.77%
2014	303,612	95,141	31.34%
2013	363,074	145,422	40.05%
2012	363,074	145,422	40.05%
2011	202,103	112,792	55.81%
2010	202,103	112,792	55.81%
2009	204,545	112,792	55.14%

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
**April 30, 2016**

---

Calendar Year Ended December 31,	<u>2015</u>
<b>Total Pension Liability</b>	
Service cost	\$ 653,578
Interest	2,991,986
Differences between expected and actual experience of the total pension liability	(706,106)
Changes of assumptions	47,628
Benefit payments, including refunds of employee contributions	<u>(1,840,460)</u>
Net change in total pension liability	1,146,626
Total pension liability - beginning	<u>40,539,848</u>
<b>Total pension liability - ending</b>	<u>41,686,474</u>
<b>Plan Fiduciary Net Position</b>	
Employer contributions	744,362
Employee contributions	264,166
Net investment income	186,420
Benefit payments, including refunds of employee contributions	(1,840,460)
Other (net transfer)	<u>(338,701)</u>
Net change in plan fiduciary net position	(984,213)
Plan fiduciary net position - beginning	<u>37,700,006</u>
<b>Plan fiduciary net position - ending</b>	<u>36,715,793</u>
<b>Employer's net pension liability</b>	<u><u>\$ (4,970,681)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	88.08%
Covered-employee payroll	\$ 5,870,367
Employer's net pension liability as a percentage of covered-employee payroll	84.67%

Since the City implemented GASB Statement No. 68 in 2016, more information will be displayed when it becomes available.

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**POLICE PENSION FUND**  
**April 30, 2016**

---

Fiscal Year Ended April 30,	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>		
Service cost	\$ 1,248,064	\$ 1,224,284
Interest	4,279,987	3,894,319
Differences between expected and actual experience of the total pension liability	(778,728)	(967,116)
Changes of assumptions	4,956,063	3,901,100
Benefit payments, including refunds of employee contributions	<u>(2,571,169)</u>	<u>(2,514,927)</u>
Net change in total pension liability	7,134,217	5,537,660
Total pension liability - beginning	<u>62,428,249</u>	<u>56,890,589</u>
<b>Total pension liability - ending</b>	<u>69,562,466</u>	<u>62,428,249</u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	2,773,787	2,374,596
Employee contributions	525,627	510,380
Net investment income	(316,496)	1,084,640
Benefit payments, including refunds of employee contributions	(2,571,169)	(2,514,927)
Administrative expense	<u>(37,626)</u>	<u>(35,584)</u>
Net change in plan fiduciary net position	374,123	1,419,105
Plan fiduciary net position - beginning	<u>18,642,059</u>	<u>17,222,954</u>
<b>Plan fiduciary net position - ending</b>	<u>19,016,182</u>	<u>18,642,059</u>
<b>Employer's net pension liability</b>	<u><u>\$(50,546,284)</u></u>	<u><u>\$(43,786,190)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	27.34%	29.86%
Covered-employee payroll	\$ 4,984,771	\$ 4,993,793
Employer's net pension liability as a percentage of covered-employee payroll	1014.01%	876.81%

Since the City implemented GASB Statement No. 67 in 2015, more information will be displayed when it becomes available.

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**FIREFIGHTERS' PENSION FUND**  
**April 30, 2016**

Fiscal Year Ended April 30,	2016	2015
<b>Total Pension Liability</b>		
Service cost	\$ 1,013,349	\$ 1,100,080
Interest	3,669,410	3,362,539
Differences between expected and actual experience of the total pension liability	(418,230)	322,128
Changes of assumptions	4,907,632	2,509,056
Benefit payments, including refunds of employee contributions	<u>(2,975,162)</u>	<u>(2,844,710)</u>
Net change in total pension liability	6,196,999	4,449,093
Total pension liability - beginning	<u>53,907,723</u>	<u>49,458,630</u>
<b>Total pension liability - ending</b>	<u>60,104,722</u>	<u>53,907,723</u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	2,693,519	2,506,562
Employee contributions	350,502	354,696
Net investment income	(227,950)	461,407
Benefit payments, including refunds of employee contributions	(2,975,162)	(2,844,710)
Administrative expense	<u>(58,967)</u>	<u>(92,081)</u>
Net change in plan fiduciary net position	(218,058)	385,874
Plan fiduciary net position - beginning	<u>10,166,436</u>	<u>9,780,562</u>
<b>Plan fiduciary net position - ending</b>	<u>9,948,378</u>	<u>10,166,436</u>
<b>Employer's net pension liability</b>	<u><u>\$(50,156,344)</u></u>	<u><u>\$(43,741,287)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	16.55%	18.86%
Covered-employee payroll	\$ 3,607,849	\$ 3,618,844
Employer's net pension liability as a percentage of covered-employee payroll	1390.20%	1208.71%

Since the City implemented GASB Statement No. 67 in 2015, more information will be displayed when it becomes available.

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF INVESTMENT RETURNS**  
**POLICE PENSION FUND**  
**April 30, 2016**

---

<u>Year Ended April 30,</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2016	(1.65%)
2015	6.28%

Since the City implemented GASB Statement No. 67 in 2015, more information will be displayed when it becomes available.

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF INVESTMENT RETURNS**  
**FIREFIGHTERS' PENSION FUND**  
**April 30, 2016**

---

<u>Year Ended April 30,</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2016	(2.04%)
2015	4.74%

Since the City implemented GASB Statement No. 67 in 2015, more information will be displayed when it becomes available.

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION PLANS**  
**April 30, 2016**

---

**NOTE 1 - ILLINOIS MUNICIPAL RETIREMENT FUND:**

**A. Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate**

**Valuation Date:**

Notes

Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine 2015 Contribution Rates:**

Actuarial Cost Method

Aggregate Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization Period

Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).

Asset Valuation Method

5-Year smoothed market; 20% corridor

Wage Growth

4.00%

Price Inflation

3.0% - approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases

4.40% to 16.00% including inflation

Investment Rate of Return

7.50%

Retirement Age

Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008-2010.

Mortality

RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

**Other Information:**

Notes

There were no benefit changes during the year.

*\* Based on Valuation Assumptions used in the December 31, 2013 actuarial valuation*



**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION PLANS**  
**April 30, 2016**

---

**NOTE 1 - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued):**

**B. Development of Market Value of Assets**

**Market Value of Assets as of December 31, 2015:**

1. Employee Contribution Reserve (MDF Assets from IMRF)\$	7,466,470
2. Employer Contribution Reserve (EAF assets from IMRF)	9,995,958
3. Annuitant Reserve	19,247,360
4. Miscellaneous Adjustment*	<u>6,005</u>
5. <b>Net Market Value</b>	<b><u>\$36,715,793</u></b>

*\* Includes an adjustment factor of .000163582 on Items 1 through 4 to ensure that Market Value of Assets for all employers balances to the total Market Value of IMRF. Miscellaneous adjustments are due to various items such as suspended annuity reserve, disability benefit reserve, death benefit reserve, supplemental benefit reserve, employers with no assets, etc.*

**C. Summary of Actuarial Methods and Assumptions Used in the Calculation of the Total Pension Liability**

**Methods and Assumptions Used to Determine Total Pension Liability:**

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.75%
Salary Increases	3.75% to 14.50%
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.



**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION PLANS**  
**April 30, 2016**

---

**NOTE 3 – FIREFIGHTERS' PENSION FUND (Continued):**

Investment Rate of Return	7.00%
Retirement Age	50-70
Mortality	RP-2014 projected to 2016
Other	

Mortality rates were based on the RP 2014 Mortality Table (BCHA) projected to 2016 using improvement scale MP-2015. The other non-economic actuarial assumptions used in the April 30, 2016 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

**CITY OF KANKAKEE, ILLINOIS  
MAJOR FUNDS**

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**General Fund**

Accounts for all financial resources traditionally associated with governments which are not required to be accounted for in another fund.

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**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF REVENUES AND COMPARISON TO BUDGET**  
**GENERAL FUND**  
**For the year ended April 30, 2016**  
**(With comparative totals for 2015)**

	Budgeted Amounts		2016	2015
	Original	Final	Actual	Actual
Taxes:				
Property taxes	\$ 7,384,697	\$ 7,384,697	\$ 7,207,662	\$ 6,802,391
Utility taxes	3,980,000	3,980,000	3,653,811	3,981,391
Total taxes	11,364,697	11,364,697	10,861,473	10,783,782
Licenses, permits and fees:				
Business licenses	140,000	140,000	128,050	123,922
Other licenses	90,000	90,000	23,581	26,356
Franchise fees	300,000	300,000	387,015	370,012
Ambulance fees	550,000	550,000	909,821	604,512
Vehicle sticker fees	475,000	475,000	507,517	483,146
Public safety fees	900,000	900,000	1,003,889	938,849
Other permits and fees	344,500	344,500	430,695	594,935
Total licenses, permits and fees	2,799,500	2,799,500	3,390,568	3,141,732
Charges for services:				
Environmental Services Utility	15,000	15,000	250	15,635
Community Development Agency	89,000	89,000	35,000	100,000
Fire Department	36,000	36,000	62,416	52,400
Police Department	12,000	12,000	10,880	12,664
Total charges for services	152,000	152,000	108,546	180,699
Fines and penalties	396,000	396,000	402,202	363,055
Intergovernmental:				
State replacement income tax	639,000	639,000	688,446	747,804
State income tax	2,362,500	2,362,500	2,934,685	2,696,825
State sales tax	4,600,000	4,600,000	4,741,719	6,027,948
State gaming tax	175,000	175,000	292,020	229,548
Local use tax	450,000	450,000	638,954	567,957
Grants from various governmental agencies	316,588	316,588	581,538	385,665
Kankakee River Metropolitan Agency	50,000	50,000	50,000	50,000
Total intergovernmental	8,593,088	8,593,088	9,927,362	10,705,747
Interest			9,959	5
Miscellaneous revenues	320,000	320,000	391,698	381,589
Total revenues	\$ 23,625,285	\$ 23,625,285	\$ 25,091,808	\$ 25,556,609

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET**  
**GENERAL FUND**  
**For the year ended April 30, 2016**  
**(With comparative totals for 2015)**

	Budgeted Amounts		2016	2015
	Original	Final	Actual	Actual
General city government:				
Council	\$ 160,000	\$ 160,000	\$ 152,986	\$ 146,551
Mayor	107,600	107,600	122,461	119,579
Commissions and boards	24,200	24,200	29,723	9,772
City clerk	130,600	130,600	137,296	122,128
Central services	492,596	492,596	236,753	241,727
Computer operations	50,000	50,000	14,242	37,338
Corporate counsel	218,500	218,500	176,732	225,839
Adjudication	97,000	97,000	68,856	119,224
City planning	40,000	40,000	77,259	37,772
Community promotion	118,000	118,000	202,168	167,874
Human relations	10,000	10,000	11,750	62,477
Group insurance	1,743,000	1,743,000	1,682,654	1,720,733
Liability and workers compensation insurance	1,548,000	1,548,000	1,414,881	1,524,512
Unemployment tax	50,000	50,000	37,313	36,303
Transportation support	76,000	76,000	75,727	
Property tax rebates	120,000	120,000	164,192	57,148
Other	736,100	736,100	1,070,618	965,096
Total general city government	5,721,596	5,721,596	5,675,611	5,594,073
Public safety - police department:				
Administration and operations	6,249,063	6,249,063	6,549,905	6,271,210
Training	45,800	45,800	10,199	19,039
Records	195,000	195,000	218,782	184,369
Communications	883,632	883,632	919,876	790,649
Detention and custody	33,900	33,900	182,847	117,586
Pension contribution	2,374,730	2,374,730	2,773,787	2,374,597
Total public safety - police department	9,782,125	9,782,125	10,655,396	9,757,450
Public safety - fire department:				
Administration	708,509	708,509	808,792	729,010
Training	133,269	133,269	105,847	109,588
Alarm and communications system	4,000	4,000	3,378	1,203
Supplies and maintenance	20,900	20,900	30,930	47,962
Fire prevention	382,129	382,129	303,810	305,718
Fire fighting force	2,386,418	2,386,418	2,286,152	2,354,275
Emergency service	883,980	883,980	949,582	891,298
Pension contribution	2,506,766	2,506,766	2,693,520	2,506,562
Total public safety - fire department	7,025,971	7,025,971	7,182,011	6,945,616

(Continued)



**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET**  
**GENERAL FUND**  
**(Continued)**  
**For the year ended April 30, 2016**  
**(With comparative totals for 2015)**

	Budgeted Amounts		2016	2015
	Original	Final	Actual	Actual
Public safety - code enforcement:				
Property maintenance	\$ 458,707	\$ 458,707	\$ 455,582	\$ 467,244
Building safety	111,386	111,386	108,631	112,060
Total public safety - code enforcement	570,093	570,093	564,213	579,304
Public safety - other:				
Animal control	24,000	24,000	17,195	19,210
Crossing guards	54,500	54,500	47,241	49,140
Total public safety - other	78,500	78,500	64,436	68,350
Total public safety	17,456,689	17,456,689	18,466,056	17,350,720
Economic development:				
Sales tax incentives	340,000	340,000	887,222	2,223,634
Debt service:				
Principal retirement	10,000	10,000	10,000	10,000
Total expenditures	\$ 23,528,285	\$ 23,528,285	\$ 25,038,889	\$ 25,178,427

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**CITY OF KANKAKEE, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS**

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**SPECIAL REVENUE FUNDS**

**Band Fund**

Accounts for the revenues and expenditures related to the City's financial support provided to the Kankakee Municipal Band.

**Illinois Municipal Retirement Fund**

Accounts for the expenditures related to the state-administered retirement system which is available to general service employees and which is financed through taxation and contributions from employees, and the City (employer) FICA, Medicare, and state unemployment taxes, all of which are financed through taxation.

**Special Service Area No. 2**

Accounts for the revenues and expenditures related to the maintenance and repairs of ornamental street lights in the Riverview Historic District.

**Special Service Area No. 3**

Accounts for the revenues and expenditures related to the Coachlight Square lighting improvement project which was financed through local borrowing and property taxes.

**Special Service Area No. 5**

Accounts for the revenues and expenditures of maintenance and repairs to the street and roadway infrastructure in the East Side Business District.

**Community Development Agency**

Accounts for the revenues and expenditures of the Community Development Block Grant Program and various other federal grant programs.

**Tax Increment Financing Districts Nos. 1, 5, 6, 7 and 8**

TIF Districts Nos. 1, 5, 6, 7 and 8 are trust funds established to finance redevelopment project costs in connection with various "blighted redevelopment project areas" throughout the City. The project areas are redeveloped through the use of incremental property tax revenues generated by related redevelopment projects.

**Motor Fuel Tax Fund**

Accounts for the expenditures related to state-approved projects which are financed from the local share of the state gasoline tax as collected and distributed by the State of Illinois.

**CITY OF KANKAKEE, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS**

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**DEBT SERVICE FUNDS**

**General Obligation Bonds**

Each series of general obligation bonds issued is set apart as an individual fund that is used to account for the accumulation of resources for the payment of debt principal, interest and related costs of each respective issue.

**CITY OF KANKAKEE, ILLINOIS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**April 30, 2016**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 6,254,177	\$ 328,661	\$ 6,582,838
Receivables, less allowance for uncollectible amounts:			
Property taxes	3,533,000	4,291,571	7,824,571
Due from other governmental agencies	184,723		184,723
Due from other funds	880,975	2,078,425	2,959,400
Due from component units	5,623		5,623
Accounts receivable	538,758		538,758
Total assets	<u>\$ 11,397,256</u>	<u>\$ 6,698,657</u>	<u>\$ 18,095,913</u>
<b>Liabilities</b>			
Accounts payable	\$ 179,945	\$ 10,000	\$ 189,945
Accrued wages payable	40,693		40,693
Due to other funds	2,120,732	1,581,789	3,702,521
Total liabilities	<u>2,341,370</u>	<u>1,591,789</u>	<u>3,933,159</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	3,533,000	4,291,571	7,824,571
Unavailable loan receivable	532,367		532,367
Total deferred inflows of resources	<u>4,065,367</u>	<u>4,291,571</u>	<u>8,356,938</u>
<b>Fund Balance</b>			
Restricted for:			
Debt service		999,981	999,981
Street maintenance programs	1,474,453		1,474,453
Economic development	3,067,151		3,067,151
Culture and recreation	19,401		19,401
Retirement obligations	739,389		739,389
Community development	112,380		112,380
Unassigned (deficit)	(422,255)	(184,684)	(606,939)
Total fund balance	<u>4,990,519</u>	<u>815,297</u>	<u>5,805,816</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 11,397,256</u>	<u>\$ 6,698,657</u>	<u>\$ 18,095,913</u>

**CITY OF KANKAKEE, ILLINOIS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended April 30, 2016**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:			
Property taxes	\$ 3,175,144	\$ 4,578,309	\$ 7,753,453
Special assessments		293,780	293,780
Intergovernmental	2,487,420		2,487,420
Interest income	1,267	44,160	45,427
Miscellaneous	104,705		104,705
Total revenues	<u>5,768,536</u>	<u>4,916,249</u>	<u>10,684,785</u>
Expenditures:			
Current:			
General government	852,304		852,304
Highways and streets	1,173,461		1,173,461
Community development	1,474,846		1,474,846
Culture and recreation	16,080		16,080
Economic development	278,506		278,506
Debt service:			
Principal retirement		4,882,961	4,882,961
Interest and fiscal charges	7,700	2,113,707	2,121,407
Total expenditures	<u>3,802,897</u>	<u>6,996,668</u>	<u>10,799,565</u>
Excess (deficiency) of revenues over expenditures	<u>1,965,639</u>	<u>(2,080,419)</u>	<u>(114,780)</u>
Other financing sources (uses):			
Issuance of refunding bonds		3,665,000	3,665,000
Premium on issuance of refunding bonds		169,712	169,712
Payment to refunded debt escrow		(3,733,787)	(3,733,787)
Transfers from other funds		2,608,158	2,608,158
Transfers to other funds	(1,626,839)	(951,474)	(2,578,313)
Total other financing sources (uses)	<u>(1,626,839)</u>	<u>1,757,609</u>	<u>130,770</u>
Net change in fund balances	<u>338,800</u>	<u>(322,810)</u>	<u>15,990</u>
Fund balance, May 1, 2015	4,409,751	1,138,107	5,547,858
Prior period adjustment	241,968		241,968
Fund balance, May 1, 2015, restated	<u>4,651,719</u>	<u>1,138,107</u>	<u>5,789,826</u>
Fund balance, April 30, 2016	<u>\$ 4,990,519</u>	<u>\$ 815,297</u>	<u>\$ 5,805,816</u>

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**CITY OF KANKAKEE, ILLINOIS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**April 30, 2016**

	<u>Band Fund</u>	<u>Illinois Municipal Retirement Fund</u>	<u>Special Service Area No. 2</u>
<b>Assets</b>			
Cash and investments	\$ 19,401	\$ 810,800	\$ 39,766
Receivables, less allowance for uncollectible amounts:			
Property taxes	16,900	858,800	2,900
Due from other governmental agencies		6,349	
Due from other funds		5,623	
Due from component units		2,134	
Accounts receivable			
Total assets	<u>\$ 36,301</u>	<u>\$ 1,683,706</u>	<u>\$ 42,666</u>
<b>Liabilities</b>			
Accounts payable		\$ 44,824	
Accrued wages payable		40,693	
Due to other funds			
Total liabilities	<u>\$ -0-</u>	<u>85,517</u>	<u>\$ -0-</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	16,900	858,800	2,900
Unavailable loan receivable			
Total deferred inflows of resources	<u>16,900</u>	<u>858,800</u>	<u>2,900</u>
<b>Fund Balance</b>			
Restricted for:			
Street maintenance program			
Economic development			39,766
Culture and recreation	19,401	739,389	
Retirement obligations			
Community development			
Unassigned (deficit)			
Total fund balance (deficit)	<u>19,401</u>	<u>739,389</u>	<u>39,766</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 36,301</u>	<u>\$ 1,683,706</u>	<u>\$ 42,666</u>



<u>Special Service Area No. 3</u>	<u>Special Service Area No. 5</u>	<u>Community Development Agency</u>	<u>Motor Fuel Tax Fund</u>	<u>Tax Increment Financing District No. 1 Fund</u>	<u>Tax Increment Financing District No. 5 Fund</u>
\$ 54,878	\$ 26,216	\$ 268,999	\$ 948,348	\$ 1,021,065	\$ 132,764
3,000	19,400			1,017,800	216,100
		122,054	62,669 463,436	396,556	
		536,624			
<u>\$ 57,878</u>	<u>\$ 45,616</u>	<u>\$ 927,677</u>	<u>\$ 1,474,453</u>	<u>\$ 2,435,421</u>	<u>\$ 348,864</u>
		\$ 135,121			
		147,809		\$ 281,038	\$ 173,558
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>282,930</u>	<u>\$ -0-</u>	<u>281,038</u>	<u>173,558</u>
3,000	19,400			1,017,800	216,100
		532,367			
<u>3,000</u>	<u>19,400</u>	<u>532,367</u>	<u>-0-</u>	<u>1,017,800</u>	<u>216,100</u>
54,878	26,216		1,474,453	1,136,583	
		112,380			(40,794)
<u>54,878</u>	<u>26,216</u>	<u>112,380</u>	<u>1,474,453</u>	<u>1,136,583</u>	<u>(40,794)</u>
<u>\$ 57,878</u>	<u>\$ 45,616</u>	<u>\$ 927,677</u>	<u>\$ 1,474,453</u>	<u>\$ 2,435,421</u>	<u>\$ 348,864</u>

(Continued)

**CITY OF KANKAKEE, ILLINOIS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**(Continued)**  
**April 30, 2016**

	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Tax Increment Financing District No. 8 Fund	Totals
<b>Assets</b>				
Cash and investments		\$ 46,089	\$ 2,885,851	\$ 6,254,177
Receivables, less allowance for uncollectible amounts:				
Property taxes	\$ 260,400	2,700	1,135,000	3,533,000
Due from other governmental agencies				184,723
Due from other funds		14,634		880,975
Due from component units				5,623
Accounts receivable				538,758
Total assets	<u>\$ 260,400</u>	<u>\$ 63,423</u>	<u>\$ 4,020,851</u>	<u>\$ 11,397,256</u>
<b>Liabilities</b>				
Accounts payable				\$ 179,945
Accrued wages payable				40,693
Due to other funds	<u>\$ 381,461</u>	<u>\$ 27,528</u>	<u>\$ 1,109,338</u>	<u>2,120,732</u>
Total liabilities	<u>381,461</u>	<u>27,528</u>	<u>1,109,338</u>	<u>2,341,370</u>
<b>Deferred Inflows of Resources</b>				
Unavailable property tax revenue	260,400	2,700	1,135,000	3,533,000
Unavailable loan receivable				532,367
Total deferred inflows of resources	<u>260,400</u>	<u>2,700</u>	<u>1,135,000</u>	<u>4,065,367</u>
<b>Fund Balance</b>				
Restricted for:				
Street maintenance program				1,474,453
Economic development		33,195	1,776,513	3,067,151
Culture and recreation				19,401
Retirement obligations				739,389
Community development				112,380
Unassigned (deficit)	<u>(381,461)</u>			<u>(422,255)</u>
Total fund balance (deficit)	<u>(381,461)</u>	<u>33,195</u>	<u>1,776,513</u>	<u>4,990,519</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 260,400</u>	<u>\$ 63,423</u>	<u>\$ 4,020,851</u>	<u>\$ 11,397,256</u>

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**CITY OF KANKAKEE, ILLINOIS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the year ended April 30, 2016**

	<u>Band Fund</u>	<u>Illinois Municipal Retirement Fund</u>	<u>Special Service Area No. 2</u>
Revenues:			
Property taxes	\$ 16,387	\$ 831,178	\$ 3,004
Intergovernmental			
Interest income		23	
Miscellaneous			
	<u>16,387</u>	<u>831,201</u>	<u>3,004</u>
Total revenues			
Expenditures:			
Current:			
General government		736,216	
Highways and streets			
Community development			
Culture and recreation	16,080		
Economic development			
Debt service:			
Interest and fiscal charges			
	<u>16,080</u>	<u>736,216</u>	<u>-0-</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	307	94,985	3,004
Other financing sources (uses):			
Transfers to other funds			
	<u>307</u>	<u>94,985</u>	<u>3,004</u>
Net change in fund balances			
Fund balance (deficit), May 1, 2015	19,094	644,404	36,762
Prior period adjustment			
Fund balance (deficit), May 1, 2015, restated	<u>19,094</u>	<u>644,404</u>	<u>36,762</u>
Fund balance (deficit), April 30, 2016	<u>\$ 19,401</u>	<u>\$ 739,389</u>	<u>\$ 39,766</u>

Special Service Area No. 3	Special Service Area No. 5	Community Development Agency	Motor Fuel Tax Fund	Tax Increment Financing District No. 1 Fund	Tax Increment Financing District No. 5 Fund
\$ 2,821	\$ 18,068	\$ 1,561,586	\$ 925,834	\$ 987,256	
		82,205	640	27	\$ 40
2,821	18,068	1,643,791	926,474	987,283	40
		116,088	1,173,461		
		1,474,846			
	64,571			200,556	1,885
		7,700			
-0-	64,571	1,598,634	1,173,461	200,556	1,885
2,821	(46,503)	45,157	(246,987)	786,727	(1,845)
		(42,225)		(464,250)	(122,931)
2,821	(46,503)	2,932	(246,987)	322,477	(124,776)
52,057	72,719	109,448	1,479,472	814,106	83,982
			241,968		
52,057	72,719	109,448	1,721,440	814,106	83,982
\$ 54,878	\$ 26,216	\$ 112,380	\$ 1,474,453	\$ 1,136,583	\$ (40,794)

(Continued)

**CITY OF KANKAKEE, ILLINOIS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**(Continued)**  
**For the year ended April 30, 2016**

	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Tax Increment Financing District No. 8 Fund	Totals
Revenues:				
Property taxes	\$ 250,951		\$ 1,065,479	\$ 3,175,144
Intergovernmental				2,487,420
Interest income	7	\$ 25	505	1,267
Miscellaneous		22,500		104,705
Total revenues	250,958	22,525	1,065,984	5,768,536
Expenditures:				
Current:				
General government				852,304
Highways and streets				1,173,461
Community development				1,474,846
Culture and recreation				16,080
Economic development	925	925	9,644	278,506
Debt service:				
Interest and fiscal charges				7,700
Total expenditures	925	925	9,644	3,802,897
Excess (deficiency) of revenues over expenditures	250,033	21,600	1,056,340	1,965,639
Other financing sources (uses):				
Transfers to other funds	(316,857)	(40,033)	(640,543)	(1,626,839)
Net change in fund balances	(66,824)	(18,433)	415,797	338,800
Fund balance (deficit), May 1, 2015	(314,637)	51,628	1,360,716	4,409,751
Prior period adjustment				241,968
Fund balance (deficit), May 1, 2015, restated	(314,637)	51,628	1,360,716	4,651,719
Fund balance (deficit), April 30, 2016	\$ (381,461)	\$ 33,195	\$ 1,776,513	\$ 4,990,519

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**BAND FUND**  
**For the year ended April 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 16,770	\$ 16,770	\$ 16,387	\$ (383)
Expenditures:				
Current:				
Culture and recreation	<u>16,000</u>	<u>16,000</u>	<u>16,080</u>	<u>80</u>
Net change in fund balance	<u>\$ 770</u>	<u>\$ 770</u>	307	<u>\$ (463)</u>
Fund balance, May 1, 2015			<u>19,094</u>	
Fund balance, April 30, 2016			<u>\$ 19,401</u>	

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
**For the year ended April 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 850,377	\$ 850,377	\$ 831,178	\$ (19,199)
Interest income			23	23
Total revenues	850,377	850,377	831,201	(19,176)
Expenditures:				
Current:				
General government	850,000	850,000	736,216	(113,784)
Net change in fund balance	<u>\$ 377</u>	<u>\$ 377</u>	94,985	<u>\$ 94,608</u>
Fund balance, May 1, 2015			<u>644,404</u>	
Fund balance, April 30, 2016			<u>\$ 739,389</u>	



**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**SPECIAL SERVICE AREA NO. 2**  
**For the year ended April 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property taxes	\$ 3,004	\$ 3,004	\$ 3,004	\$ -0-
Expenditures:				
Current:				
Economic development	3,000	3,000	-0-	(3,000)
Net change in fund balance	<u>\$ 4</u>	<u>\$ 4</u>	3,004	<u>\$ 3,000</u>
Fund balance, May 1, 2015			<u>36,762</u>	
Fund balance, April 30, 2016			<u>\$ 39,766</u>	

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**SPECIAL SERVICE AREA NO. 3**  
**For the year ended April 30, 2016**

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	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> <u>Over (Under)</u>
Revenues:				
Property taxes	\$ 3,237	\$ 3,237	\$ 2,821	\$ (416)
Expenditures:				
Current:				
Economic development	<u>3,200</u>	<u>3,200</u>	<u>-0-</u>	<u>(3,200)</u>
Net change in fund balance	<u>\$ 37</u>	<u>\$ 37</u>	2,821	<u>\$ 2,784</u>
Fund balance, May 1, 2015			<u>52,057</u>	
Fund balance, April 30, 2016			<u>\$ 54,878</u>	

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**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**SPECIAL SERVICE AREA NO. 5**  
**For the year ended April 30, 2016**

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	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> <u>Over (Under)</u>
Revenues:				
Property taxes	\$ 18,557	\$ 18,557	\$ 18,068	\$ (489)
Expenditures:				
Current:				
Economic development	<u>33,333</u>	<u>33,333</u>	<u>64,571</u>	<u>31,238</u>
Net change in fund balance	<u>\$ (14,776)</u>	<u>\$ (14,776)</u>	(46,503)	<u>\$ (31,727)</u>
Fund balance, May 1, 2015			<u>72,719</u>	
Fund balance, April 30, 2016			<u>\$ 26,216</u>	

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**CITY OF KANKAKEE, ILLINOIS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**April 30, 2016**

	General Obligation Bonds, Series 2006	General Obligation Bonds, Series 2007	Indian Meadows Debt Service	General Obligation Bonds, Series 2008
<b>Assets</b>				
Cash and investments				\$ 39,593
Receivables, less allowance for uncollectible amounts:				
Property taxes				699,108
Due from other funds		\$ 634,515	\$ 523,082	63,146
Total assets	\$ -0-	\$ 634,515	\$ 523,082	\$ 801,847
<b>Liabilities</b>				
Accounts payable				
Due to other funds		\$ 326,581	\$ 397,620	\$ 142,488
Total liabilities	\$ -0-	326,581	397,620	142,488
<b>Deferred Inflows of Resources</b>				
Unavailable property tax revenue	-0-	-0-	-0-	699,108
<b>Fund Balance</b>				
Restricted for debt service		307,934	125,462	
Unassigned (deficit)				(39,749)
Total fund balance (deficit)	-0-	307,934	125,462	(39,749)
Total liabilities, deferred inflows of resources and fund balance	\$ -0-	\$ 634,515	\$ 523,082	\$ 801,847

General Obligation Bonds, Series 2009	General Obligation Bonds, Series 2011	General Obligation Bonds, Series 2012	General Obligation Bonds, Series 2013	General Obligation Bonds, Series 2014	Totals
	\$ 36,624	\$ 135,853	\$ 116,591		\$ 328,661
\$ 1,027,813	457,150	1,833,763		\$ 273,737	4,291,571
248,090	229,627	323,434	11,521	45,010	2,078,425
<u>\$ 1,275,903</u>	<u>\$ 723,401</u>	<u>\$ 2,293,050</u>	<u>\$ 128,112</u>	<u>\$ 318,747</u>	<u>\$ 6,698,657</u>
\$ 10,000					\$ 10,000
379,289	\$ 122,788	\$ 125,445	\$ 38,832	\$ 48,746	1,581,789
<u>389,289</u>	<u>122,788</u>	<u>125,445</u>	<u>38,832</u>	<u>\$ 48,746</u>	<u>1,591,789</u>
<u>1,027,813</u>	<u>457,150</u>	<u>1,833,763</u>	<u>-0-</u>	<u>273,737</u>	<u>4,291,571</u>
	143,463	333,842	89,280		999,981
(141,199)				(3,736)	(184,684)
<u>(141,199)</u>	<u>143,463</u>	<u>333,842</u>	<u>89,280</u>	<u>(3,736)</u>	<u>815,297</u>
<u>\$ 1,275,903</u>	<u>\$ 723,401</u>	<u>\$ 2,293,050</u>	<u>\$ 128,112</u>	<u>\$ 318,747</u>	<u>\$ 6,698,657</u>

**CITY OF KANKAKEE, ILLINOIS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
**For the year ended April 30, 2016**

	General Obligation Bonds, Series 2006	General Obligation Bonds, Series 2007	Indian Meadows Debt Service	General Obligation Bonds, Series 2008
Revenues:				
Property taxes	\$ 92,024	\$ 488,710		\$ 586,499
Special assessments			\$ 293,780	
Interest income	4	13	44,032	16
Total revenues	92,028	488,723	337,812	586,515
Expenditures:				
Debt service:				
Principal retirement	675,000	440,125	332,836	315,000
Interest and fiscal charges	34,681	406,467	43,109	284,975
Total expenditures	709,681	846,592	375,945	599,975
Excess (deficiency) of revenues over expenditures	(617,653)	(357,869)	(38,133)	(13,460)
Other financing sources (uses):				
Issuance of refunding bonds		3,665,000		
Premium on issuance of refunding bonds		169,712		
Payment to refunded debt escrow		(3,733,787)		
Transfers from other funds	904,544	582,170		
Transfers to other funds	(327,325)		(141,857)	
Total other financing sources (uses)	577,219	683,095	(141,857)	-0-
Net change in fund balance	(40,434)	325,226	(179,990)	(13,460)
Fund balance (deficit), May 1, 2015	40,434	(17,292)	305,452	(26,289)
Fund balance (deficit), April 30, 2016	\$ -0-	\$ 307,934	\$ 125,462	\$ (39,749)

General Obligation Bonds, Series 2009	General Obligation Bonds, Series 2011	General Obligation Bonds, Series 2012	General Obligation Bonds, Series 2013	General Obligation Bonds, Series 2014	Totals
\$ 941,473	\$ 393,827	\$ 1,623,375	\$ 290,254	\$ 162,147	\$ 4,578,309
26	9	47	9	4	293,780
941,499	393,836	1,623,422	290,263	162,151	44,160
430,000	165,000	2,250,000	235,000	40,000	4,882,961
601,015	237,925	212,385	61,960	231,190	2,113,707
1,031,015	402,925	2,462,385	296,960	271,190	6,996,668
(89,516)	(9,089)	(838,963)	(6,697)	(109,039)	(2,080,419)
112,103		793,599	110,439	105,303	3,665,000
(145,510)			(336,782)		169,712
(33,407)	-0-	793,599	(226,343)	105,303	(3,733,787)
(122,923)	(9,089)	(45,364)	(233,040)	(3,736)	2,608,158
(18,276)	152,552	379,206	322,320	-0-	(951,474)
\$ (141,199)	\$ 143,463	\$ 333,842	\$ 89,280	\$ (3,736)	1,757,609
					(322,810)
					1,138,107
					\$ 815,297

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**CITY OF KANKAKEE, ILLINOIS  
FIDUCIARY FUNDS**

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**Police Pension Fund**

A pension trust which accounts for the police officers' pension fund. Revenue includes City contributions, contributions from participants and investment earnings.

**Firefighters' Pension Fund**

A pension trust which accounts for the firefighters' pension fund. Revenue includes City contributions, contributions from participants and investment earnings.

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**CITY OF KANKAKEE, ILLINOIS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**April 30, 2016**

	Police Pension Fund	Firefighters' Pension Fund	Totals
<b>Assets</b>			
Cash and short-term investments	\$ 863,259	\$ 1,537,674	\$ 2,400,933
Receivables, less allowance for uncollectible amounts:			
Employee contributions	23,671	14,402	38,073
Employer contributions	594,026	355,771	949,797
Interest	50,012	29,997	80,009
Investments, at fair value:			
Open-end mutual funds	5,548,576	2,790,946	8,339,522
Corporate securities	5,654,520	2,019,210	7,673,730
U. S. Treasury and agency securities	2,960,522	1,637,750	4,598,272
Corporate bonds	2,945,667	1,608,864	4,554,531
State and local obligations	375,929	196,182	572,111
Prepaid items		8,709	8,709
Total assets	19,016,182	10,199,505	29,215,687
<b>Liabilities</b>			
Benefits and other payables	-0-	251,127	251,127
<b>Net Position</b>			
Net position held in trust for pension benefits	<u>\$ 19,016,182</u>	<u>\$ 9,948,378</u>	<u>\$ 28,964,560</u>

**CITY OF KANKAKEE, ILLINOIS**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**For the year ended April 30, 2016**

	Police Pension Fund	Firefighters' Pension Fund	Totals
Additions:			
Contributions:			
Employer	\$ 2,773,787	\$ 2,693,519	\$ 5,467,306
Employee	525,627	350,379	876,006
Total contributions	3,299,414	3,043,898	6,343,312
Investment income:			
Net change in fair value of investments	(565,019)	(415,318)	(980,337)
Interest and dividends	372,574	255,824	628,398
	(192,445)	(159,494)	(351,939)
Less: investment expense	(123,994)	(68,333)	(192,327)
Net investment income	(316,439)	(227,827)	(544,266)
Total additions	2,982,975	2,816,071	5,799,046
Deductions:			
Benefits	2,571,168	2,923,739	5,494,907
Refunds of contributions		51,422	51,422
Administrative expenses	37,684	58,968	96,652
Total deductions	2,608,852	3,034,129	5,642,981
Change in net position-restricted for pension benefits	374,123	(218,058)	156,065
Net position held in trust for pension benefits:			
May 1, 2015	18,642,059	10,166,436	28,808,495
April 30, 2016	\$ 19,016,182	\$ 9,948,378	\$ 28,964,560

**CITY OF KANKAKEE, ILLINOIS  
COMPONENT UNITS**

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**Kankakee Public Library**

Accounts for the revenues and expenses of the local public library. A majority of the revenues are from a property tax levy approved by the City Council.

**Special Service Area #1**

Accounts for activities to promote and develop downtown Kankakee. The major source of revenues is from a property tax levy approved by the City Council.

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**CITY OF KANKAKEE, ILLINOIS**  
**DISCRETELY PRESENTED COMPONENT UNIT - KANKAKEE PUBLIC LIBRARY**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET**  
**April 30, 2016**

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash and investments	\$ 729,443		\$ 729,443
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,774,000		1,774,000
Accounts receivable	42,479		42,479
Prepaid expenses	7,000		7,000
Capital assets:			
Depreciable (net of accumulated depreciation)		\$ 6,175,057	6,175,057
Total assets	2,552,922	6,175,057	8,727,979
<b>Deferred Outflows of Resources</b>			
Deferred items related to Illinois Municipal Retirement Fund	-0-	107,138	107,138
Total assets and deferred outflows of resources	<u>\$ 2,552,922</u>	<u>\$ 6,282,195</u>	<u>\$ 8,835,117</u>
<b>Liabilities</b>			
Accounts payable	\$ 52,393		\$ 52,393
Due to primary government	40,771		40,771
Long-term liabilities:			
Due within one year		\$ 139,995	139,995
Due within more than one year		2,433,656	2,433,656
Total liabilities	<u>93,164</u>	<u>2,573,651</u>	<u>2,666,815</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	1,774,000		1,774,000
Deferred items related to Illinois Municipal Retirement Fund		23,028	23,028
Total deferred inflows of resources	<u>1,774,000</u>	<u>23,028</u>	<u>1,797,028</u>
<b>Fund Balance / Net Position</b>			
Net investment in capital assets		3,827,075	3,827,075
Unassigned / Unrestricted	685,758	(141,559)	544,199
Total fund balance / net position	<u>685,758</u>	<u>3,685,516</u>	<u>4,371,274</u>
Total liabilities, deferred inflows of resources and fund balance / net position	<u>\$ 2,552,922</u>	<u>\$ 6,282,195</u>	<u>\$ 8,835,117</u>

**CITY OF KANKAKEE, ILLINOIS**  
**DISCRETELY PRESENTED COMPONENT UNIT - KANKAKEE PUBLIC LIBRARY**  
**STATEMENT OF ACTIVITIES AND GOVERNMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the year ended April 30, 2016**

	General Operating	Adjustment	Statement of Activities
Revenues:			
Property taxes	\$ 1,709,444		\$ 1,709,444
Fees	163,116		163,116
Intergovernmental	32,842		32,842
Interest	2,006		2,006
Other	139,534		139,534
Total revenues	<u>2,046,942</u>	<u>\$ -0-</u>	<u>2,046,942</u>
Expenditures/expenses:			
Current:			
Culture and recreation	1,739,437	137,376	1,876,813
Debt service:			
Principal retirement	133,182	(133,182)	-0-
Interest and fiscal charges	121,034		121,034
Total expenditures/expenses	<u>1,993,653</u>	<u>4,194</u>	<u>1,997,847</u>
Net change in fund balance / net position	<u>53,289</u>	<u>(4,194)</u>	<u>49,095</u>
Fund balance / net position, May 1, 2015	632,469	3,807,458	4,439,927
Prior period adjustment	<u>-0-</u>	<u>(117,748)</u>	<u>(117,748)</u>
Fund balance / net position, May 1, 2015, restated	<u>632,469</u>	<u>3,689,710</u>	<u>4,322,179</u>
Fund balance / net position, April 30, 2016	<u><u>\$ 685,758</u></u>	<u><u>\$ 3,685,516</u></u>	<u><u>\$ 4,371,274</u></u>



**CITY OF KANKAKEE, ILLINOIS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1**  
**STATEMENT OF NET POSITION AND GOVERNMENT FUND BALANCE SHEET**  
**April 30, 2016**

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash and investments	\$ 170,559		\$ 170,559
Receivables, less allowance for uncollectible amounts:			
Property taxes	114,900		114,900
Capital assets:			
Depreciable (net of accumulated depreciation)	<u>                    </u>	\$ 655,400	<u>655,400</u>
Total assets	<u>\$ 285,459</u>	<u>\$ 655,400</u>	<u>\$ 940,859</u>
<b>Liabilities</b>			
Accounts payable	<u>\$ 3,989</u>	<u>\$ -0-</u>	<u>\$ 3,989</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	<u>114,900</u>	<u>-0-</u>	<u>114,900</u>
<b>Fund Balance / Net Position</b>			
Net investment in capital assets		655,400	655,400
Unassigned / Unrestricted	<u>166,570</u>	<u>                    </u>	<u>166,570</u>
Total fund balance / net position	<u>166,570</u>	<u>655,400</u>	<u>821,970</u>
Total liabilities, deferred inflows of resources and fund balance / net position	<u>\$ 285,459</u>	<u>\$ 655,400</u>	<u>\$ 940,859</u>

**CITY OF KANKAKEE, ILLINOIS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1**  
**STATEMENT OF ACTIVITIES AND GOVERNMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the year ended April 30, 2016**

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Activities</u>
Revenues:			
Property taxes	\$ 113,842		\$ 113,842
Interest	3		3
Other	<u>14,840</u>		<u>14,840</u>
Total revenues	128,685	\$ -0-	128,685
Expenditures/expenses:			
Current:			
General government	<u>177,156</u>	<u>54,918</u>	<u>232,074</u>
Net change in fund balance/net position	(48,471)	(54,918)	(103,389)
Fund balance/net position, May 1, 2015	<u>215,041</u>	<u>710,318</u>	<u>925,359</u>
Fund balance/net position, April 30, 2016	<u><u>\$ 166,570</u></u>	<u><u>\$ 655,400</u></u>	<u><u>\$ 821,970</u></u>

**CITY OF KANKAKEE, ILLINOIS**  
**PROPERTY TAXES RECEIVABLE**  
**2015 LEVY TO BE COLLECTED IN 2016**  
**April 30, 2016**

	<u>Taxes extended</u>	<u>Estimated losses</u>	<u>Estimated net taxes receivable</u>
Primary Government:			
General Fund	\$ 7,689,073	\$ 73	\$ 7,689,000
Special Revenue Funds:			
Band Fund	16,955	55	16,900
Illinois Municipal Retirement Fund	858,903	103	858,800
Special Service Area No. 2	2,913	13	2,900
Special Service Area No. 3	3,092	92	3,000
Special Service Area No. 5	19,417	17	19,400
Tax Increment Financing District #1	1,017,844	44	1,017,800
Tax Increment Financing District #5	216,129	29	216,100
Tax Increment Financing District #6	260,484	84	260,400
Tax Increment Financing District #7	2,745	45	2,700
Tax Increment Financing District #8	1,135,048	48	1,135,000
Total Special Revenue Funds	3,533,530	530	3,533,000
Debt Service Funds	4,291,621	50	4,291,571
Total Primary Government	<u>\$ 15,514,224</u>	<u>\$ 653</u>	<u>\$ 15,513,571</u>
Component Units:			
Library	\$ 1,774,046	\$ 46	\$ 1,774,000
Special Service Area No. 1	114,959	59	114,900
Total Component Units	<u>\$ 1,889,005</u>	<u>\$ 105</u>	<u>\$ 1,888,900</u>

**CITY OF KANKAKEE, ILLINOIS**  
**PROPRIETARY FUND TYPES**  
**KANKAKEE ENVIRONMENTAL SERVICES UTILITY FUND**  
**SCHEDULE OF BOND RATE COVENANT CALCULATION**  
**April 30, 2016**

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Debt service requirements	\$ 1,318,309	
120% covenant	x <u>120%</u>	
Total required revenues	<u>1,581,971</u>	
Net revenues generated by sewer utility:		
Sewer charges	13,647,571	
Utility operations expenses	<u>(5,326,692)</u>	
Net revenues generated	8,320,879	
Sewer Utility's share of Kankakee River Metropolitan		
Agency's plant operations expenses	<u>(5,166,274)</u>	
Total net revenues available		
(expressed in dollars and as a percentage of debt service		
requirements)	<u>3,154,605</u>	<u>239%</u>
Bond covenant coverage over the required revenues	<u>\$ 1,572,634</u>	

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**CITY OF KANKAKEE, ILLINOIS**  
**PROPRIETARY FUND TYPES**  
**KANKAKEE ENVIRONMENTAL SERVICES UTILITY FUND**  
**SCHEDULE OF REVENUE BONDS PAYABLE**  
**April 30, 2016**

	Series 2009		Series 2010A		Series 2010B	
Date of issue	December 1, 2009		December 2, 2010		December 2, 2010	
Interest rates	2.00% to 5.80%		5.35% to 6.50%		2.00% to 3.90%	
Principal redemption date	May 1		May 1		May 1	
Interest payment dates	May 1 and November 1		May 1 and November 1		May 1 and November 1	
Original issue	\$ 4,000,000		\$ 2,700,000		\$ 2,740,000	
Paid to date	<u>1,165,000</u>		<u>-0-</u>		<u>905,000</u>	
Balance, April 30, 2016	<u>\$ 2,835,000</u>		<u>\$ 2,700,000</u>		<u>\$ 1,835,000</u>	
Date as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 260,000	\$ 143,698		\$ 163,755	\$ 240,000	\$ 59,745
2018	270,000	131,695		163,755	245,000	52,470
2019	280,000	118,283		163,755	250,000	44,920
2020	295,000	103,686		163,755	260,000	36,430
2021	310,000	87,875		163,755	270,000	27,023
2022	325,000	70,885		163,755	280,000	16,770
2023	345,000	52,623		163,755	290,000	5,655
2024	365,000	32,733	\$ 300,000	155,730		
2025	385,000	11,165	310,000	139,180		
2026			320,000	121,615		
2027			330,000	103,088		
2028			340,000	82,550		
2029			355,000	59,963		
2030			365,000	36,563		
2031			380,000	12,350		
2032						
2033						
2034						
2035						
2036						
	<u>\$ 2,835,000</u>	<u>\$ 752,643</u>	<u>\$ 2,700,000</u>	<u>\$ 1,857,324</u>	<u>\$ 1,835,000</u>	<u>\$ 243,013</u>

Series 2013A		Series 2013B		Series 2015	
August 6, 2013 2.91% to 5.13%		August 6, 2013 4.38% to 4.88%		August 27, 2015 3.00% to 4.50%	
May 1		May 1		May 1	
May 1 and November 1		May 1 and November 1		May 1 and November 1	
\$ 2,170,000		\$ 3,550,000		\$ 7,035,000	
<u>-0-</u>		<u>-0-</u>		<u>-0-</u>	
<u>\$ 2,170,000</u>		<u>\$ 3,550,000</u>		<u>\$ 7,035,000</u>	
Principal	Interest	Principal	Interest	Principal	Interest
	\$ 93,347		\$ 164,750		\$ 193,014
\$ 215,000	93,347		164,750		284,775
220,000	87,090		164,750	\$ 55,000	284,775
230,000	80,248		164,750	145,000	283,125
235,000	71,439		164,750	220,000	278,775
245,000	62,438		164,750	225,000	272,175
260,000	50,727		164,750	230,000	265,425
270,000	38,300		164,750	240,000	258,525
285,000	25,393		164,750	250,000	251,325
210,000	10,773	\$ 95,000	164,750	305,000	241,325
		320,000	160,594	320,000	229,125
		330,000	146,594	350,000	216,325
		345,000	132,156	350,000	202,325
		365,000	117,063	365,000	188,325
		380,000	100,181	385,000	173,725
		400,000	82,606	660,000	158,325
		415,000	64,106	690,000	128,625
		440,000	43,875	715,000	101,025
		460,000	22,425	750,000	68,850
				780,000	35,100
<u>\$ 2,170,000</u>	<u>\$ 613,102</u>	<u>\$ 3,550,000</u>	<u>\$ 2,517,100</u>	<u>\$ 7,035,000</u>	<u>\$ 4,114,989</u>

(Continued)

**CITY OF KANKAKEE, ILLINOIS**  
**PROPRIETARY FUND TYPES**  
**KANKAKEE ENVIRONMENTAL SERVICES UTILITY FUND**  
**SCHEDULE OF REVENUE BONDS PAYABLE**  
(Continued)  
April 30, 2016

Totals			
Date of issue			
Interest rates			
Principal redemption date			
Interest payment dates			
Original issue	\$ 22,195,000		
Paid to date	<u>2,070,000</u>		
Balance, April 30, 2016	<u>\$ 20,125,000</u>		
Date as follows:			
Year ending April 30,	Principal	Interest	Totals
2017	\$ 500,000	\$ 818,309	\$ 1,318,309
2018	730,000	890,792	1,620,792
2019	805,000	863,573	1,668,573
2020	930,000	831,994	1,761,994
2021	1,035,000	793,617	1,828,617
2022	1,075,000	750,773	1,825,773
2023	1,125,000	702,935	1,827,935
2024	1,175,000	650,038	1,825,038
2025	1,230,000	591,813	1,821,813
2026	930,000	538,463	1,468,463
2027	970,000	492,807	1,462,807
2028	1,020,000	445,469	1,465,469
2029	1,050,000	394,444	1,444,444
2030	1,095,000	341,951	1,436,951
2031	1,145,000	286,256	1,431,256
2032	1,060,000	240,931	1,300,931
2033	1,105,000	192,731	1,297,731
2034	1,155,000	144,900	1,299,900
2035	1,210,000	91,275	1,301,275
2036	<u>780,000</u>	<u>35,100</u>	<u>815,100</u>
	<u>\$ 20,125,000</u>	<u>\$ 10,098,171</u>	<u>\$ 30,223,171</u>



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**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE**  
**April 30, 2016**

	Series 2007B		Series 2008		Series 2009A	
Date of issue	August 2, 2007		June 1, 2008		April 15, 2009	
Interest rates	4.25% to 4.36%		3.45% to 5.25%		2.30% to 5.00%	
Principal redemption date	January 1		January 1		January 1	
Interest payment dates	July 1 and January 1		July 1 and January 1		July 1 and January 1	
Original issue	\$ 1,422,327		\$ 6,930,000		\$ 10,180,000	
Paid to date	<u>752,796</u>		<u>315,000</u>		<u>420,000</u>	
Balance, April 30, 2016	<u>\$ 669,531</u>		<u>\$ 6,615,000</u>		<u>\$ 9,760,000</u>	
Due as follows:						
April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 267,496	\$ 132,504	\$ 425,000	\$ 274,108	\$ 300,000	\$ 427,078
2018	402,035	227,966	585,000	259,020	735,000	421,303
2019			670,000	228,308	1,025,000	384,553
2020			900,000	193,803	635,000	333,303
2021			900,000	159,603	660,000	306,633
2022			985,000	124,953	690,000	278,913
2023			1,075,000	86,538	715,000	249,933
2024			1,075,000	43,538	745,000	219,903
2025					780,000	187,868
2026					810,000	154,328
2027					850,000	119,093
2028					890,000	81,693
2029					925,000	42,088
2030						
2031						
2032						
2033						
2034						
2035						
2036						
	<u>\$ 669,531</u>	<u>\$ 360,470</u>	<u>\$ 6,615,000</u>	<u>\$ 1,369,871</u>	<u>\$ 9,760,000</u>	<u>\$ 3,206,689</u>

Series 2009B		Series 2011A		Series 2011B	
April 15, 2009 3.00% to 5.00%		April 27, 2011 2.50% to 4.90%		April 27, 2011 4.10%	
January 1		January 1		January 1	
July 1 and January 1		July 1 and January 1		July 1 and January 1	
\$ 14,905,000		\$ 5,000,000		\$ 370,000	
10,960,000		270,000		-0-	
<u>\$ 3,945,000</u>		<u>\$ 4,730,000</u>		<u>\$ 370,000</u>	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 475,000	\$ 153,812	\$ 225,000	\$ 216,980		\$ 15,170
1,145,000	137,322		209,105		15,170
1,500,000	96,102		209,105		15,170
610,000	39,853	440,000	209,105	\$ 370,000	15,170
35,000	9,353	600,000	190,185		
40,000	7,830	725,000	164,385		
45,000	6,090	855,000	132,123		
45,000	4,133	930,000	92,365		
50,000	2,175	955,000	46,795		
<u>\$ 3,945,000</u>	<u>\$ 456,670</u>	<u>\$ 4,730,000</u>	<u>\$ 1,470,148</u>	<u>\$ 370,000</u>	<u>\$ 60,680</u>

(Continued)

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE**  
(Continued)  
**April 30, 2016**

	Series 2012		Series 2012A		Series 2012B	
Date of issue	March 13, 2012		October 11, 2012		November 1, 2012	
Interest rates	2.00% to 2.50%		2.00% to 2.90%		2.00% to 3.00%	
Principal redemption date	January 1		January 1		January 1	
Interest payment dates	July 1 and January 1		July 1 and January 1		July 1 and January 1	
Original issue	\$ 2,645,000		\$ 3,915,000		\$ 3,790,000	
Paid to date	<u>1,295,000</u>		<u>520,000</u>		<u>1,660,000</u>	
Balance, April 30, 2016	<u><u>\$ 1,350,000</u></u>		<u><u>\$ 3,395,000</u></u>		<u><u>\$ 2,130,000</u></u>	
Due as follows:						
<u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 435,000	\$ 33,750	\$ 475,000	\$ 85,835	\$ 1,820,000	\$ 45,700
2018	450,000	22,875	495,000	76,335	100,000	9,300
2019	465,000	11,625	510,000	63,960	100,000	6,300
2020			520,000	51,210	110,000	3,300
2021			535,000	38,210		
2022			320,000	24,300		
2023			320,000	15,500		
2024			220,000	6,380		
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
2035						
2036						
	<u><u>\$ 1,350,000</u></u>	<u><u>\$ 68,250</u></u>	<u><u>\$ 3,395,000</u></u>	<u><u>\$ 361,730</u></u>	<u><u>\$ 2,130,000</u></u>	<u><u>\$ 64,600</u></u>

Series 2013C		Series 2014		Series 2016A	
December 23, 2013 2.00% to 3.95%		December 30, 2014 2.00% to 4.00%		April 19, 2016 2.00% to 4.00%	
January 1		January 1		January 1	
July 1 and January 1		July 1 and January 1		July 1 and January 1	
\$ 2,635,000		\$ 6,455,000		\$ 3,665,000	
855,000		40,000		-0-	
<u>\$ 1,780,000</u>		<u>\$ 6,415,000</u>		<u>\$ 3,665,000</u>	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 245,000	\$ 57,260	\$ 415,000	\$ 229,750	\$ 170,000	\$ 83,125
255,000	52,360	575,000	221,450	125,000	115,350
265,000	44,710	615,000	204,200	140,000	112,850
270,000	36,760	665,000	185,750	150,000	109,350
280,000	27,310	730,000	165,800	170,000	105,600
170,000	17,510	785,000	136,600	175,000	100,500
175,000	11,390	860,000	105,200	190,000	95,250
120,000	4,740	685,000	70,800	600,000	89,550
		1,085,000	43,400	625,000	71,550
				645,000	52,800
				675,000	27,000
<u>\$ 1,780,000</u>	<u>\$ 252,040</u>	<u>\$ 6,415,000</u>	<u>\$ 1,362,950</u>	<u>\$ 3,665,000</u>	<u>\$ 962,925</u>

(Continued)

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE**  
(Continued)  
**April 30, 2016**

	Series 2016B		Totals		
Date of issue	April 19, 2016				
Interest rates	4.00%				
Principal redemption date	January 1				
Interest payment dates	July 1 and January 1				
Original issue	\$	2,850,000	\$	64,762,327	
Paid to date		<u>-0-</u>		<u>17,087,796</u>	
April 30, 2016	\$	<u>2,850,000</u>	\$	<u>47,674,531</u>	
Due as follows:					
April 30,	Principal	Interest	Principal	Interest	Totals
2017		\$ 79,800	\$ 5,252,496	\$ 1,834,872	\$ 7,087,368
2018		114,000	4,867,035	1,881,556	6,748,591
2019		114,000	5,290,000	1,490,883	6,780,883
2020		114,000	4,670,000	1,291,604	5,961,604
2021		114,000	3,910,000	1,116,694	5,026,694
2022		114,000	3,890,000	968,991	4,858,991
2023		114,000	4,235,000	816,024	5,051,024
2024		114,000	4,420,000	645,409	5,065,409
2025		114,000	3,495,000	465,788	3,960,788
2026	\$ 210,000	114,000	1,665,000	321,128	1,986,128
2027	220,000	105,600	1,745,000	251,693	1,996,693
2028	225,000	96,800	1,115,000	178,493	1,293,493
2029	240,000	87,800	1,165,000	129,888	1,294,888
2030	245,000	78,200	245,000	78,200	323,200
2031	255,000	68,400	255,000	68,400	323,400
2032	270,000	58,200	270,000	58,200	328,200
2033	280,000	47,400	280,000	47,400	327,400
2034	290,000	36,200	290,000	36,200	326,200
2035	300,000	24,600	300,000	24,600	324,600
2036	315,000	12,600	315,000	12,600	327,600
	<u>\$ 2,850,000</u>	<u>\$ 1,721,600</u>	<u>\$ 47,674,531</u>	<u>\$ 11,718,623</u>	<u>\$ 59,393,154</u>

## **STATISTICAL SECTION**



## STATISTICAL SECTION

The objective of this part of the City of Kankakee's Comprehensive Annual Financial Report is to provide financial statement users with additional historical perspective, context, and detail. It is intended that the information in the financial statements, notes to financial statements, required supplementary information, combining and individual fund financial statements and supplemental schedules, and the statistical section, taken as a whole, will assist readers in further understanding and assessing the City's economic condition.

<u>Contents</u>	<u>Page(s)</u>
(A) <u>Financial Trends</u> These schedules contain trend information that indicates how the City's financial performance has changed over time.	141-145
(B) <u>Revenue Capacity</u> These schedules provide information on one of the City's most significant and locally controlled revenue sources, the property tax	146-149
(C) <u>Debt Capacity</u> These schedules provide information about the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future	150-153
(D) <u>Demographic and Economic Information</u> These schedules offer demographic and economic indicators about the environment within which the City operates. This information is intended to facilitate comparisons of the City's finances over time and among other cities.	154-155
(E) <u>Operating Information</u> These schedules contain service and infrastructure data related to the services the City provides and the activities it performs	156-158

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



Table A-1

**CITY OF KANKAKEE, ILLINOIS**  
**NET POSITION BY COMPONENT (Unaudited)**  
**Fiscal Years Ended April 30, 2007 to 2016**  
**(accrual basis of accounting)**  
**(amounts expressed in millions)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 36.9	\$ 40.7	\$ 45.3	\$ 43.7	\$ 46.9	\$ 42.8	\$ 49.1	\$ 44.7	\$ 45.9	\$ 48.0
Restricted	9.8	8.9	10.8	6.3	9.6	7.6	6.3	5.9	5.9	8.6
Unrestricted	<u>(31.8)</u>	<u>(33.6)</u>	<u>(47.5)</u>	<u>(41.1)</u>	<u>(45.6)</u>	<u>(40.0)</u>	<u>(44.2)</u>	<u>(33.0)</u>	<u>(29.6)</u>	<u>(110.3)</u>
Total governmental activities net position	<u>\$ 14.9</u>	<u>\$ 15.9</u>	<u>\$ 8.6</u>	<u>\$ 9.0</u>	<u>\$ 10.8</u>	<u>\$ 10.4</u>	<u>\$ 11.1</u>	<u>\$ 17.6</u>	<u>\$ 22.3</u>	<u>\$ (53.7)</u>
Business-type activities										
Net investment in capital assets	\$ 22.0	\$ 22.0	\$ 24.9	\$ 21.3	\$ 22.3	\$ 21.8	\$ 20.9	\$ 20.1	\$ 20.6	\$ 19.6
Restricted	1.7	1.1	2.2	1.4	1.5	2.0	1.7	2.7	2.2	3.1
Unrestricted	<u>3.6</u>	<u>3.7</u>	<u>2.6</u>	<u>5.3</u>	<u>2.8</u>	<u>1.2</u>	<u>0.1</u>	<u>(3.5)</u>	<u>(2.5)</u>	<u>(3.4)</u>
Total business-type activities net position	<u>\$ 27.4</u>	<u>\$ 26.8</u>	<u>\$ 29.7</u>	<u>\$ 28.0</u>	<u>\$ 26.6</u>	<u>\$ 25.0</u>	<u>\$ 22.7</u>	<u>\$ 19.4</u>	<u>\$ 20.3</u>	<u>\$ 19.4</u>
Primary government										
Net investment in capital assets	\$ 58.9	\$ 62.7	\$ 70.2	\$ 65.0	\$ 69.1	\$ 64.6	\$ 70.0	\$ 64.8	\$ 66.5	\$ 67.6
Restricted	11.5	10.0	13.0	7.7	11.0	9.6	8.0	8.7	8.2	11.8
Unrestricted	<u>(28.1)</u>	<u>(29.9)</u>	<u>(44.9)</u>	<u>(35.8)</u>	<u>(42.8)</u>	<u>(38.8)</u>	<u>(44.1)</u>	<u>(36.5)</u>	<u>(32.1)</u>	<u>(113.7)</u>
Total primary government net position	<u>\$ 42.3</u>	<u>\$ 42.8</u>	<u>\$ 42.8</u>	<u>\$ 37.0</u>	<u>\$ 37.4</u>	<u>\$ 35.4</u>	<u>\$ 33.8</u>	<u>\$ 37.0</u>	<u>\$ 42.5</u>	<u>\$ (34.3)</u>

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding.

Table A-2

**CITY OF KANKAKEE, ILLINOIS**  
**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (Unaudited)**  
**Fiscal Years Ended April 30, 2007 to 2016**  
**(accrual basis of accounting)**  
**(amounts expressed in millions)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Program Revenues</b>										
Charges for services:										
General government	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.3	\$ 1.4	\$ 1.1	\$ 2.9	\$ 2.9
Public safety	1.0	0.5	0.6	0.6	0.6	0.5	0.6	0.6	0.7	1.0
Public works	0.3	0.2	0.4	0.6	0.1					
Community development	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Operating grants and contributions	2.8	3.5	4.0	3.4	4.3	3.9	3.2	3.0	2.7	3.1
Capital grants and contributions	2.9	6.9	0.7	4.3	0.2	0.1	0.3		0.2	0.0
Total program revenues	<u>8.3</u>	<u>12.4</u>	<u>7.0</u>	<u>10.2</u>	<u>6.5</u>	<u>5.9</u>	<u>5.6</u>	<u>4.8</u>	<u>6.7</u>	<u>7.0</u>
<b>Expenses</b>										
General government	\$ 6.7	\$ 6.2	\$ 8.6	\$ 8.3	\$ 8.8	\$ 8.2	\$ 7.8	\$ 7.8	\$ 8.0	\$ 11.8
Public safety	13.1	13.6	14.2	16.1	16.2	17.0	17.1	17.6	17.7	18.9
Public works	2.1	2.5	3.6	2.4	0.3					
Highways and streets	1.7	7.2	2.2	3.3	1.2	3.1	2.6	2.4	2.1	1.8
Community development	1.5	1.8	2.5	1.9	2.4	2.2	1.9	1.5	1.4	1.5
Culture and recreation	0.1	0.1	0.3	0.1	0.0	0.2	0.0	0.0	0.0	0.0
Economic development	0.5	23.5	18.8	17.0	16.4	12.3	12.9	10.8	0.9	1.2
Interest and fiscal charges	2.1	2.3	2.8	2.8	2.9	2.8	2.6	2.3	2.3	2.0
Total expenses	<u>27.8</u>	<u>57.1</u>	<u>53.0</u>	<u>51.9</u>	<u>48.2</u>	<u>45.8</u>	<u>44.9</u>	<u>42.3</u>	<u>32.4</u>	<u>37.1</u>
Net revenue (expense)	<u>\$(19.5)</u>	<u>\$(44.7)</u>	<u>\$(46.0)</u>	<u>\$(41.7)</u>	<u>\$(41.7)</u>	<u>\$(39.9)</u>	<u>\$(39.3)</u>	<u>\$(37.6)</u>	<u>\$(25.7)</u>	<u>\$(30.0)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Property taxes	\$ 9.7	\$ 10.7	\$ 11.4	\$ 12.1	\$ 14.6	\$ 13.5	\$ 13.9	\$ 14.6	\$ 15.4	\$ 15.0
Special assessments			0	0.3	0.3	0.3	0.0	0.4	0.3	0.0
Illinois retailers' tax, net	6.0	26.6	24.4	21.1	21.3	18.7	18.6	16.5	6.0	4.7
Utility taxes	3.3	3.5	3.4	3.4	3.6	3.9	4.1	4.0	4.0	3.7
Other taxes	3.4	3.8	3.6	3.1	3.3	3.3	3.6	3.9	4.2	4.6
Intergovernmental, not restricted to specific programs	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Investment income	0.9	0.9	0.4	0.1	0.1	0.1	0.0	0.1	0.1	0.1
Other	0.1	0.1	0.3	0.4	0.8	0.9	0.5	0.5	0.4	0.5
Contributions from developers										
Transfers	0.7	(0.0)	(4.9)	1.5	(0.4)	(0.1)	0.1	3.9	(0.1)	(0.1)
Total general revenues and other changes	<u>\$ 24.2</u>	<u>\$ 45.7</u>	<u>\$ 39.0</u>	<u>\$ 42.1</u>	<u>\$ 43.7</u>	<u>\$ 40.7</u>	<u>\$ 40.9</u>	<u>\$ 44.1</u>	<u>\$ 30.4</u>	<u>\$ 28.3</u>
Total change in net position	<u>\$ 4.7</u>	<u>\$ 1.0</u>	<u>\$ (7.0)</u>	<u>\$ 0.4</u>	<u>\$ 2.0</u>	<u>\$ 0.8</u>	<u>\$ 1.6</u>	<u>\$ 6.5</u>	<u>\$ 4.6</u>	<u>\$ (1.7)</u>

Note: There may be some slight differences in totals due to rounding.

Table A-3

**CITY OF KANKAKEE, ILLINOIS**  
**CHANGE IN NET POSITION - BUSINESS-TYPE ACTIVITIES**  
**AND TOTAL PRIMARY GOVERNMENT (Unaudited)**  
**Fiscal Years Ended April 30, 2007 to 2016**  
**(accrual basis of accounting)**  
**(amounts expressed in millions)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Business-type activities</b>										
Charges for services	\$ 8.4	\$ 8.8	\$ 10.0	\$ 12.6	\$ 12.0	\$ 12.6	\$ 12.7	\$ 16.6	\$ 17.4	\$ 17.3
Expenses	<u>8.9</u>	<u>9.6</u>	<u>12.2</u>	<u>14.2</u>	<u>13.9</u>	<u>14.3</u>	<u>14.6</u>	<u>15.7</u>	<u>16.6</u>	<u>17.8</u>
Net business-type revenues (expenses)	<u>(0.5)</u>	<u>(0.8)</u>	<u>(2.2)</u>	<u>(1.6)</u>	<u>(1.9)</u>	<u>(1.7)</u>	<u>(1.9)</u>	<u>0.9</u>	<u>0.7</u>	<u>(0.5)</u>
Other income and changes in net position:										
Investment income	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.1	(0.0)	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Contributions from developers										
Transfers	<u>(0.7)</u>	<u>0.0</u>	<u>4.9</u>	<u>1.2</u>	<u>(0.8)</u>	<u>0.1</u>	<u>(0.1)</u>	<u>(3.9)</u>	<u>0.1</u>	<u>0.1</u>
Total other income and changes in net position	<u>(0.6)</u>	<u>0.2</u>	<u>4.9</u>	<u>1.3</u>	<u>(0.8)</u>	<u>0.2</u>	<u>0.0</u>	<u>(3.9)</u>	<u>0.1</u>	<u>0.2</u>
Total change in net position	<u>(1.1)</u>	<u>(0.6)</u>	<u>2.7</u>	<u>(0.3)</u>	<u>(2.7)</u>	<u>(1.5)</u>	<u>(1.9)</u>	<u>(3.0)</u>	<u>0.9</u>	<u>(0.3)</u>
<b>Total Primary Government</b>										
Program revenues	\$ 16.7	\$ 21.4	\$ 17.0	\$ 22.7	\$ 18.5	\$ 18.5	\$ 18.3	\$ 21.3	\$ 24.0	\$ 24.4
Expenses	<u>(36.7)</u>	<u>(66.7)</u>	<u>(65.4)</u>	<u>(66.2)</u>	<u>(62.1)</u>	<u>(60.8)</u>	<u>(59.6)</u>	<u>(58.0)</u>	<u>(49.0)</u>	<u>(54.9)</u>
Net revenues (expenses)	(20.0)	(45.3)	(48.4)	(43.5)	(43.6)	(42.3)	(41.3)	(36.7)	(25.0)	(30.5)
General revenues and other changes in net position	<u>23.6</u>	<u>45.9</u>	<u>43.8</u>	<u>43.4</u>	<u>42.9</u>	<u>40.3</u>	<u>40.8</u>	<u>40.2</u>	<u>30.5</u>	<u>28.6</u>
Total change in net position	<u>\$ 3.6</u>	<u>\$ 0.6</u>	<u>\$ (4.6)</u>	<u>\$ (0.1)</u>	<u>\$ (0.7)</u>	<u>\$ (2.0)</u>	<u>\$ (0.5)</u>	<u>\$ 3.6</u>	<u>\$ 5.5</u>	<u>\$ (2.0)</u>

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding.

Table A-4

**CITY OF KANKAKEE, ILLINOIS**  
**FUND BALANCES, GOVERNMENTAL FUNDS (Unaudited)**  
**Fiscal Years Ended April 30, 2007 to 2016**  
**(accrual basis of accounting)**  
**(amounts expressed in millions)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Nonspendable	\$ 0.6	\$ 0.8	\$ 0.9	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.5	\$ 0.4
Unassigned	<u>2.6</u>	<u>2.3</u>	<u>1.3</u>	<u>0.0</u>	<u>1.0</u>	<u>1.4</u>	<u>2.4</u>	<u>3.1</u>	<u>5.1</u>	<u>3.5</u>
Total General Fund	<u>\$ 3.2</u>	<u>\$ 3.1</u>	<u>\$ 2.2</u>	<u>\$ 0.5</u>	<u>\$ 1.6</u>	<u>\$ 1.8</u>	<u>\$ 2.8</u>	<u>\$ 3.5</u>	<u>\$ 5.5</u>	<u>\$ 3.9</u>
All Other Governmental Funds										
Restricted for:										
Capital projects fund	\$ 7.4	\$ 5.4	\$ 7.9	\$ 4.4	\$ 8.0	\$ 5.0	\$ 3.1	\$ 1.5	\$ 0.8	\$ 3.1
Unexpended street maintenance						1.3	1.4	1.8	1.5	1.5
Economic development						0.9	1.3	1.8	2.5	3.1
Culture & recreation						0.0	0.0	0.0	0.0	0.0
Retirement obligations						0.4	0.5	0.5	0.6	0.7
Community development						0.2	0.2	0.1	0.1	0.1
Special revenue funds	1.8	2.5	1.9	1.6	1.3					
Debt service funds	0.7	0.9	1.0	0.3	0.3	0.4	0.4	0.8	1.2	1.0
Unassigned, reported in:										
Special revenue funds	0.4	1.7	0.7	0.3	0.8	(0.1)	(0.4)	(0.3)	(0.4)	(0.6)
Debt service funds	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total all other governmental funds	<u>\$ 10.3</u>	<u>\$ 10.5</u>	<u>\$ 11.5</u>	<u>\$ 6.6</u>	<u>\$ 10.4</u>	<u>\$ 8.1</u>	<u>\$ 6.5</u>	<u>\$ 6.3</u>	<u>\$ 6.3</u>	<u>\$ 8.9</u>
Total, all governmental funds	<u>\$ 13.5</u>	<u>\$ 13.6</u>	<u>\$ 13.7</u>	<u>\$ 7.1</u>	<u>\$ 12.0</u>	<u>\$ 9.9</u>	<u>\$ 9.3</u>	<u>\$ 9.8</u>	<u>\$ 11.8</u>	<u>\$ 12.8</u>

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding.

Table A-5

**CITY OF KANKAKEE, ILLINOIS**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (Unaudited)**  
**Fiscal Years Ended April 30, 2007 to 2016**  
**(modified accrual basis of accounting)**  
**(amounts expressed in millions)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 22.5	\$ 44.6	\$ 42.9	\$ 39.8	\$ 42.7	\$ 38.8	\$ 40.1	\$ 39.0	\$ 29.5	\$ 27.9
Special assessments			0.3	0.3	0.3	0.3	0.0	0.4	0.3	0.3
Licenses, fees and permits	1.5	1.1	1.1	1.2	1.3	1.4	1.6	1.3	3.1	3.4
Intergovernmental	4.7	7.9	4.7	3.6	4.5	4.1	3.6	3.0	3.0	3.1
Charges for services	0.6	0.5	0.7	0.8	0.3	0.2	0.2	0.1	0.2	0.1
Fines and penalties	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.4	0.4
Investment earnings	0.9	0.9	0.4	0.1	0.1	0.1	0.5	0.1	0.1	0.1
Other revenues	0.2	0.1	0.3	0.7	0.8	0.9	0.0	0.5	0.4	0.5
Total revenues	<u>\$ 30.9</u>	<u>\$ 55.6</u>	<u>\$ 50.8</u>	<u>\$ 46.9</u>	<u>\$ 50.4</u>	<u>\$ 46.2</u>	<u>\$ 46.3</u>	<u>\$ 44.9</u>	<u>\$ 37.0</u>	<u>\$ 35.8</u>
<b>Expenditures</b>										
General government	\$ 7.1	\$ 9.1	\$ 8.2	\$ 7.6	\$ 7.2	\$ 6.8	\$ 6.7	\$ 7.1	\$ 6.8	\$ 7.1
Public safety	13.0	14.2	22.8	16.0	16.1	16.9	17.0	17.4	17.4	18.6
Public works	2.1	2.7	3.5	2.6	0.3					
Highways and streets	3.8	7.7	4.0	2.8	1.3	2.2	1.7	1.4	1.3	1.2
Community development	1.4	2.3	2.5	1.9	2.4	2.2	1.9	1.5	1.4	1.5
Culture and recreation	0.1	0.1	0.3	0.1	0.0	0.2	0.0	0.0	0.0	0.0
Economic development	0.5	24.2	18.8	16.5	16.4	12.4	12.9	10.8	0.9	1.2
Debt service:										
Principal retirement	2.9	3.3	3.9	4.2	4.6	4.8	4.9	4.6	4.8	4.9
Interest and fiscal charges	4.0	2.3	3.4	2.7	3.1	2.9	2.8	2.4	2.4	2.1
Total expenditures	<u>\$ 34.9</u>	<u>\$ 65.9</u>	<u>\$ 67.4</u>	<u>\$ 54.4</u>	<u>\$ 51.4</u>	<u>\$ 48.4</u>	<u>\$ 47.9</u>	<u>\$ 45.3</u>	<u>\$ 35.0</u>	<u>\$ 36.6</u>
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	\$ 5.8	\$ 10.3	\$ 17.6		\$ 5.0					\$ 3.0
Proceeds from refunding	4.3		15.1		1.7	\$ 4.8	\$ 7.9	\$ 2.7	\$ 6.8	3.8
Payments to escrow agent	(4.4)		(11.0)		(1.7)	(4.7)	(7.7)	(5.7)	(6.7)	(3.7)
Proceeds from disposal of capital assets	0.1									
Transfers in	\$ 4.1	4.0	4.7	\$ 4.4	\$ 4.5	2.9	3.0	6.3	1.8	2.7
Transfers out	(3.4)	(4.1)	(9.6)	(2.9)	(3.7)	(3.0)	(2.9)	(2.3)	(1.9)	(2.8)
Total other financing sources (uses)	<u>\$ 6.5</u>	<u>\$ 10.2</u>	<u>\$ 16.8</u>	<u>\$ 1.5</u>	<u>\$ 5.8</u>	<u>\$ -</u>	<u>\$ 0.3</u>	<u>\$ 0.9</u>	<u>\$ 0.1</u>	<u>\$ 3.0</u>
Net change in fund balances	<u>\$ 2.5</u>	<u>\$ (0.1)</u>	<u>\$ 0.2</u>	<u>\$ (6.0)</u>	<u>\$ 4.8</u>	<u>\$ (2.2)</u>	<u>\$ (1.3)</u>	<u>\$ 0.6</u>	<u>\$ 2.0</u>	<u>\$ 2.2</u>
Capital outlay (included in expenditures above)	<u>\$ 4.3</u>	<u>\$ 6.7</u>	<u>\$ 12.2</u>	<u>\$ 1.6</u>	<u>\$ 1.6</u>	<u>\$ (0.0)</u>	<u>\$ (0.0)</u>	<u>\$ 0.6</u>	<u>\$ 0.3</u>	<u>\$ 0.9</u>
Debt service as a percentage of non-capital expenditures	22.5%	9.5%	13.2%	13.2%	15.3%	16.0%	16.0%	15.7%	20.7%	19.7%

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding.

**Table B-1**

**CITY OF KANKAKEE, ILLINOIS**  
**ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (Unaudited)**  
**LEVY YEARS 2006 - 2015**  
**(amounts expressed in thousands)**

Levy						Valuation, City of Kankakee		Ratio, Assessed/ Actual	City Direct Rate <sup>1</sup>
Year	Residential <sup>2</sup>	Commercial <sup>2</sup>	Industrial <sup>2</sup>	Farm <sup>2</sup>	Railroad <sup>2</sup>	Assessed <sup>2</sup>	Actual <sup>2</sup>		
2015	\$ 115,988	81,793	\$ 21,914	\$ 467	\$ 2,534	222,696	668,089	33.3%	7.040
2014	122,677	80,826	22,082	425	2,269	228,279	684,838	33.3%	6.879
2013	130,167	80,839	22,486	395	2,310	236,198	708,594	33.3%	6.817
2012	147,614	81,104	21,058	371	2,256	252,403	757,209	33.3%	6.156
2011	164,041	79,539	21,613	374	2,185	267,752	803,255	33.3%	5.448
2010	182,769	82,501	21,676	448	1,887	289,282	867,845	33.3%	4.880
2009	182,470	83,328	21,645	428	1,682	289,554	868,661	33.3%	4.785
2008	183,737	81,298	20,377	467	1,382	287,261	861,782	33.3%	3.997
2007	181,232	79,317	22,242	482	1,135	284,408	853,225	33.3%	3.808
2006	168,329	75,596	20,813	483	1,090	266,311	798,933	33.3%	3.806

Source: Office of the Kankakee County Clerk

Note: State law prescribes an assessment ratio of 33% of actual value.

<sup>1</sup>City direct rate is per \$100 EAV

<sup>2</sup>Amounts expressed in thousands

Note: There may be some slight differences in totals due to rounding.

Table B-2

**CITY OF KANKAKEE, ILLINOIS**  
**PROPERTY TAX RATES - PER \$100 ASSESSED VALUATION, DIRECT AND OVERLAPPING GOVERNMENT (Unaudited)**  
**LEVY YEARS 2006 - 2015**

LEVY YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>City Direct Rates</b>										
<b>General Fund:</b>										
General Corporate	\$0.009	\$0.008	\$0.008	\$0.008	\$0.006	\$0.007	\$0.008	\$0.009	\$0.010	\$0.010
Fire Protection	0.092	0.087	0.087	0.086	0.163	0.183	0.201	0.225	0.242	0.259
Police Protection	0.071	0.067	0.067	0.067	0.173	0.194	0.213	0.238	0.254	0.269
Firemen's Pension	0.510	0.511	0.547	0.797	0.753	0.826	0.936	1.087	1.181	1.252
Police Pension	0.461	0.484	0.501	0.699	0.661	0.792	0.897	1.014	1.119	1.216
School Crossing Guard	0.011	0.010	0.010	0.010	0.011	0.012	0.013	0.014	0.015	0.015
Liability Insurance	0.378	0.371	0.370	0.369	0.401	0.452	0.496	0.554	0.598	0.639
Audit	0.014	0.013	0.013	0.013	0.015	0.017	0.019	0.021	0.022	0.022
Debt Service	<u>1.509</u>	<u>1.465</u>	<u>1.550</u>	<u>1.812</u>	<u>1.773</u>	<u>1.961</u>	<u>2.295</u>	<u>2.485</u>	<u>2.207</u>	<u>2.076</u>
Total General Fund	<u>\$3.055</u>	<u>\$3.016</u>	<u>\$3.153</u>	<u>\$3.861</u>	<u>\$3.956</u>	<u>\$4.444</u>	<u>\$5.078</u>	<u>\$5.646</u>	<u>\$5.647</u>	<u>\$5.758</u>
<b>Special Revenue Funds</b>										
Parks	\$0.015	\$0.014	\$0.014	\$0.014	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Band	0.006	0.006	0.006	0.006	0.006	0.007	0.007	0.008	0.008	0.008
IMRF	0.207	0.194	0.203	0.280	0.295	0.323	0.355	0.382	0.401	0.415
Library	<u>0.523</u>	<u>0.578</u>	<u>0.621</u>	<u>0.624</u>	<u>0.623</u>	<u>0.674</u>	<u>0.716</u>	<u>0.781</u>	<u>0.824</u>	<u>0.858</u>
Total Special Revenue Funds	<u>\$0.751</u>	<u>\$0.792</u>	<u>\$0.844</u>	<u>\$0.924</u>	<u>\$0.924</u>	<u>\$1.004</u>	<u>\$1.078</u>	<u>\$1.171</u>	<u>\$1.232</u>	<u>\$1.282</u>
<b>Total City Direct Rate</b>	<u>\$3.806</u>	<u>\$3.808</u>	<u>\$3.997</u>	<u>\$4.785</u>	<u>\$4.880</u>	<u>\$5.448</u>	<u>\$6.156</u>	<u>\$6.817</u>	<u>\$6.879</u>	<u>\$7.040</u>
<b>Special District and Overlapping Unit Rates</b>										
Special Service Area No. 1	\$1.963	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000
Special Service Area No. 2	0.043	0.041	0.039	0.040	0.040	0.044	0.049	0.057	0.059	0.060
Special Service Area No. 3	1.008	0.947	0.952	0.083	0.083	0.100	0.100	0.100	0.100	0.100
Special Service Area No. 5	0.300	0.300	0.300	0.300	0.300	0.145	0.154	0.163	0.174	0.181
Kankakee Township (including Road & Bridge)	0.508	0.494	0.511	0.515	0.533	0.569	0.618	0.674	0.702	0.722
School District No. 111	4.320	4.196	4.294	4.319	4.325	4.695	4.491	5.377	5.656	5.925
Kankakee Valley Airport Authority	0.043	0.039	0.039	0.038	0.038	0.040	0.041	0.044	0.045	0.045
Kankakee Valley Park District	0.531	0.511	0.518	0.519	0.526	0.568	0.618	0.464	0.702	0.730
Kankakee County Forest Preserve District	0.056	0.054	0.056	0.057	0.059	0.060	0.600	0.060	0.060	0.060
Kankakee County	0.833	0.833	0.816	0.807	0.833	0.890	0.953	1.022	1.053	1.142
Kankakee Community College District #520	<u>0.348</u>	<u>0.381</u>	<u>0.377</u>	<u>0.384</u>	<u>0.396</u>	<u>0.404</u>	<u>0.417</u>	<u>0.451</u>	<u>0.461</u>	<u>0.485</u>
Total Overlapping Units	<u>\$9.953</u>	<u>\$9.796</u>	<u>\$9.902</u>	<u>\$9.062</u>	<u>\$9.133</u>	<u>\$9.515</u>	<u>\$10.041</u>	<u>\$10.411</u>	<u>\$11.011</u>	<u>\$11.450</u>
<b>Overall Tax Rate</b>	<u>\$13.759</u>	<u>\$13.604</u>	<u>\$13.899</u>	<u>\$13.847</u>	<u>\$14.013</u>	<u>\$14.963</u>	<u>\$16.197</u>	<u>\$17.228</u>	<u>\$17.890</u>	<u>\$18.489</u>

**Note:** Each taxing unit levies a total dollar amount. The rate is then determined by the County by dividing the levy by the taxable equalized assessed value of the property within each taxing unit's district.

Source: Tax bills for respective years

Note: There may be some slight differences due to rounding.

**Table B-3**

**CITY OF KANKAKEE**  
**PRINCIPAL PROPERTY TAXPAYERS (Unaudited)**  
**LEVY YEARS 2006 AND 2015 (10 YEARS, PRIOR AND CURRENT LEVY YEAR)**

<u><b>Taxpayer</b></u>	<u>Levy year 2006</u>			<u>Levy year 2015</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
BASF Cognis Corporation	\$ 6,774,059	1	2.54%	\$ 4,801,469	1	2.16%
Great Oak LLC	3,931,262	2	1.48%			
Walmart				3,638,933	2	1.63%
Armstrong World Industries, Inc.	2,775,201	5	1.04%	2,864,843	3	1.29%
Riverside Senior Living Center	2,849,634	3	1.07%	2,849,634	4	1.28%
Riverside Medical Center	2,797,696	4	1.05%			
IKO Midwest, Inc.				2,839,129	5	1.27%
Presence Properties (Med Centers)				2,702,837	6	1.21%
Riverwoods Preservation, LP	2,609,679	6	0.98%	2,609,679	7	1.17%
Space Center Chicago, Inc.	2,557,311	7	0.96%	2,557,311	8	1.15%
Cor Unum	1,999,204	9	0.75%	2,169,030	9	0.97%
Kohl Apartments				1,793,130	10	0.81%
Heritage Executive Center, Inc.	2,116,658	8	0.79%	-		0.00%
GNB Industrial Battery	1,938,391	10	0.73%	-		0.00%
Total	<u>\$ 30,349,095</u>		<u>11.39%</u>	<u>\$ 28,825,995</u>		<u>12.94%</u>
Total EAV	<u>\$ 266,311,138</u>			<u>\$ 222,696,263</u>		

Source: Kankakee County Supervisor of Assessments



**CITY OF KANKAKEE, ILLINOIS**  
**PROPERTY TAX LEVIES AND COLLECTIONS (Unaudited)**  
**LEVY YEARS 2006 - 2015**

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<u>Tax Levy Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>
2015	\$ 14,591,758		
2014	14,698,858	14,366,873	97.7%
2013	15,107,818	14,613,899	96.7%
2012	14,542,067	14,338,748	98.6%
2011	13,699,916	13,878,101	101.3%
2010	13,293,730	13,273,991	99.9%
2009	12,300,212	12,328,309	100.2%
2008	10,438,232	10,325,580	98.9%
2007	10,015,994	9,822,065	98.1%
2006	9,432,477	9,238,993	97.9%

Property taxes levied during the current fiscal year are not extended and/or collected until the subsequent fiscal year. Therefore, no property taxes are collected for the most recent tax levy year at the close of the current fiscal year.

Property taxes not paid at the time of the payment deadline are sold by the County Treasurer at auction. The proceeds from the sale of the unpaid taxes are remitted by the County to the City by the end of each calendar year. Therefore, there are no tax collections for subsequent years. The property owners then have two years to purchase the taxes back through the County before title to the property passes to the holder of the paid taxes.

The County Clerk rounds the levy to assure the full levy is extended. Periodically, this results in property tax collections slightly greater than 100% for a particular levy year.

Table C-1

**CITY OF KANKAKEE, ILLINOIS**  
**OUTSTANDING DEBT (PRINCIPAL AND INTEREST) BY TYPE AND LEGAL DEBT MARGIN (Unaudited)**  
**Fiscal Years Ended April 30, 2007 to 2016**

Fiscal Year Ended	Governmental Activities		Business-type Activities			Total Primary Government (A+B+E)	Total Debt per Capita	Total Debt as a % of Personal Income
	General Obligation Bonds (A)	Installment Loans (B) <sup>2</sup>	Revenue Bonds (C)	Other Loans (D)	Total Business- type (C+D+E)			
2016	\$47,674,531	\$1,297,580	\$20,125,000	\$3,921,202 <sup>3</sup>	24,046,202	73,018,313	2,652	7.1%
2015	49,294,656	1,640,416	13,570,000		13,570,000	64,505,072	2,342	6.3%
2014	53,687,327	1,970,020	14,035,000		14,035,000	69,692,347	2,531	7.1%
2013	60,842,327	2,286,919	8,315,000	\$4,350,000 <sup>1</sup>	12,665,000	75,794,246	2,752	7.8%
2012	65,302,327	2,591,617	8,765,000	\$4,000,000 <sup>1</sup>	12,765,000	80,658,944	2,929	8.6%
2011	69,687,327	2,884,600	9,205,000		9,205,000	81,776,927	2,970	8.9%
2010	68,912,327	3,166,333	6,795,000		6,795,000	78,873,660	2,869	8.9%
2009	72,817,327	3,484,556	2,970,000		2,970,000	79,271,883	2,884	9.0%
2008	55,097,327	3,660,534	7,545,000		7,545,000	66,302,861	2,412	7.4%
2007	51,455,000	359,319	8,075,000		8,075,000	59,889,319	2,179	7.0%

<sup>1</sup>Line of credit<sup>2</sup>Installment loan<sup>3</sup>Illinois EPA Loan

## COMPUTATION OF LEGAL DEBT MARGIN -

The City of Kankakee, Illinois is a "Home Rule" unit as established by the 1970 Illinois Constitution. As a Home Rule Community, no statutory debt limit exists.

**Table C-2**

**CITY OF KANKAKEE, ILLINOIS**  
**RATIOS OF GENERAL OBLIGATION DEBT OUTSTANDING (Unaudited)**  
**Fiscal Years Ended April 30, 2007 to 2016**

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<u>Fiscal Year Ended</u>	<u>GO Bonds</u>	<u>GO Debt Per Capita</u>	<u>GO Debt as a % of Personal Income</u>	<u>GO Debt as a % of Actual Property EAV</u>	<u>Value</u>	<u>Revenue Coverage, Utility Bonds</u>
2016	\$ 47,674,531	\$ 1,731	4.6%	21.4%	7.1%	2.16
2015	49,294,656	1,790	4.8%	21.6%	7.2%	2.55
2014	53,687,327	1,950	5.5%	22.7%	7.6%	2.82
2013	60,842,327	2,209	6.3%	24.1%	8.0%	1.06
2012	65,302,327	2,371	7.0%	24.4%	8.1%	2.48
2011	69,687,327	2,531	7.4%	24.1%	8.0%	0.69
2010	68,912,327	2,507	7.7%	23.8%	7.9%	3.80
2009	72,817,327	2,649	8.3%	25.3%	8.4%	0.19
2008	55,097,327	2,004	6.1%	19.4%	6.5%	1.36
2007	51,455,000	1,872	6.0%	19.3%	6.4%	1.31

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Population and personal income from Table D-1

Source of Revenue coverage calculation: City Records

**CITY OF KANKAKEE, ILLINOIS**  
**STATEMENT OF DIRECT AND OVERLAPPING DEBT (Unaudited)**  
**April 30, 2016**

<u><b>Jurisdiction</b></u>	<u><b>Outstanding Debt</b></u>	<u><b>Estimate Applicable to City</b></u>	
		<u><b>Percent</b></u>	<u><b>Amount</b></u>
<b>Direct</b>			
City of Kankakee <sup>(1)</sup>	\$ 32,779,685	100.00%	\$ 32,779,685
<b>Overlapping</b> <sup>(2)</sup>			
Kankakee School District No. 111	12,470,821	64.30%	8,018,738
Herscher School District No. 2	8,770,000	0.71%	62,267
Bradley School District No. 61	2,760,000	5.01%	138,276
Bradley-Bourbonnais High School District No. 307	5,820,000	1.50%	87,300
Clifton School District No. 4	6,808,000	1.82%	123,906
Bourbonnais Park District	2,435,000	1.69%	41,152
Kankakee Community College Dist. No. 520	16,365,000	9.81%	1,605,407
Kankakee County <sup>3</sup>	-	12.22%	-
Total Overlapping Debt	<u>55,428,821</u>		<u>10,077,045</u>
 Total Net Direct and Overlapping Debt	 <u>\$ 88,208,506</u>		 <u>\$ 42,856,730</u>

2015 Equalized Assessed Valuation (EAV)	\$ 222,696,263
2015 Estimated Full Valuation	\$ 668,088,789
Population - 2010 Census	27,537
Full Valuation per Capita	\$ 24,261

<u><b>Debt Ratios</b></u>			
	<u><b>% EAV</b></u>	<u><b>% Full Value</b></u>	<u><b>Per Capita</b></u>
Net Direct Debt: \$ 32,779,685	14.72%	4.91%	\$ 1,190
Net Direct and Overlapping Debt: \$ 42,856,730	19.24%	6.41%	\$ 1,556

(1) Net direct debt is exclusive of self-supporting debt

(2) Debt Information current to December 2015; overlapping bonded debt; source is Kankakee County

(3) The County's bonded debt totals \$18,166,451 all of which is self-supporting

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF UTILITY REVENUE SUPPORTED BOND COVERAGE (UNAUDITED)**  
**Fiscal Years Ended April 30, 2007 to 2016**

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<u>Fiscal Year</u>	<u>Sewer Revenue</u>	<u>Sewer Expense (1)</u>	<u>Net Revenues Available for Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage (2)</u>
2016	\$ 13,647,571	\$10,492,966	3,154,605	\$ 500,000	\$ 960,696	1,460,696	2.16
2015	12,193,849	9,331,313	2,862,536	480,000	642,685	1,122,685	2.55
2014	11,502,262	8,526,303	2,975,959	465,000	589,788	1,054,788	2.82
2013	9,293,626	8,374,382	919,244	450,000	420,195	870,195	1.06
2012	9,426,813	7,284,586	2,142,227	440,000	424,515	864,515	2.48
2011	8,626,955	7,212,080	2,409,054	3,030,000	438,202	3,468,202	0.69
2010	7,872,919	6,392,731	1,480,188	175,000	214,788	389,788	3.80
2009	7,692,088	7,053,293	638,795	3,078,923	356,250	3,435,173	0.19
2008	8,836,943	7,598,441	1,238,502	530,000	377,936	907,936	1.36
2007	8,391,133	7,203,822	1,187,311	510,000	398,626	908,626	1.31

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(1) Total operating expenses exclusive of depreciation.

(2) Net revenues available for debt service divided by debt service payments.

**CITY OF KANKAKEE, ILLINOIS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS (Unaudited)**  
**Fiscal Years Ended April 30, 2007 to 2016**

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<u>Fiscal Year Ended</u>	<u>Population</u> <sup>1</sup>	<u>Per Capita Personal Income</u> <sup>2</sup>	<u>Total Personal Income</u>	<u>Unemployment Rate</u> <sup>3</sup>
2016	27,537	\$ 37,400	\$ 1,029,883,800	6.1%
2015	27,537	37,400	1,029,883,800	6.0%
2014	27,537	35,657	981,886,809	8.6%
2013	27,537	35,147	967,842,939	11.3%
2012	27,537	34,013	936,615,981	14.5%
2011	27,537	33,379	919,157,523	15.0%
2010	27,491	32,379	890,131,089	16.7%
2009	27,491	32,008	879,931,928	15.5%
2008	27,491	32,756	900,495,196	12.0%
2007	27,491	31,029	853,018,239	8.8%

<sup>1</sup> Census Bureau, 2010

<sup>2</sup> U.S. Bureau of Economic Analysis for Kankakee Metro Statistical Area

<sup>3</sup> June 2016, Illinois Department of Employment Security

**Table D-2**

**CITY OF KANKAKEE, ILLINOIS**  
**LARGEST REGIONAL EMPLOYERS (Unaudited)**  
**Fiscal Years Ended April 30, 2007 and April 30, 2016**

<u>Employer</u>	2007			2016		
	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total County Population</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total County Population</u>
Riverside Healthcare	2,100	1	2.0%	2,827	1	2.5%
CSL Behring	550	8	0.5%	1,265	2	1.1%
Shapiro Developmental Center	1,288	2	1.2%	1,166	3	1.0%
Presence St. Mary's Hospital	1,000	3	1.0%	1,139	4	1.0%
CIGNA (Connecticut General Insurance)	900	4	0.9%	1,000	5	0.9%
Kankakee School District No. 111	800	5	0.8%	800	6	0.7%
Baker & Taylor Company	640	6	0.6%	604	7	0.5%
Van Drunen Farms <sup>1</sup>				603	8	0.5%
Kankakee County Government	550	8	0.5%	550	9	0.5%
Olivet Nazarene University	400	10	0.4%	540	10	0.5%
Kankakee Community College	396	11	0.4%	500	11	0.4%
Indian Oaks Academy <sup>1</sup>				365	12	0.3%
Illinois Veterans Home <sup>1</sup>				360	13	0.3%
A.N. Webber <sup>1</sup>				320	14	0.3%
Nucor Steel	<u>304</u>	15	<u>0.3%</u>	<u>300</u>	15	<u>0.3%</u>
Total	<u>8,928</u>		<u>8.6%</u>	<u>12,339</u>		<u>10.9%</u>

<sup>1</sup>Employer was not in top 15 in calendar 2007

Source: Economic Alliance of Kankakee County  
City of Kankakee records from fiscal 2007 audit

**Table E-1**

**CITY OF KANKAKEE, ILLINOIS**  
**FULL-TIME EQUIVALENT EMPLOYEES (Unaudited)**  
**Fiscal Years Ended April 30, 2007 to 2016**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General Government</b>										
Mayor and Council	16.0	16.0	16.0	16.0	16.0	16.0	16.0	17.0	17.0	17.0
Affirmative Action/Personnel	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	-	-
Clerk	3.5	3.5	3.0	3.0	3.0	2.5	2.5	2.5	2.5	2.5
<b>Finance/Central Services</b>										
Accounting	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0
Billing and Collections	1.5	1.5	1.5	1.5	1.5	0.5	0.5	0.5	0.5	0.5
<b>Legal</b>										
Counsel and Legal	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Adjudication	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0
<b>Senior Aides</b>	2.0	2.0	2.0	2.0	-	-	-	-	-	-
<b>Public Safety</b>										
Police										
Officers	73.0	73.0	74.0	74.0	70.0	69.0	70.0	69.0	67.0	68.0
Civilians	15.0	15.0	13.0	13.0	12.0	7.0	7.5	9.0	4.0	4.0
Fire										
Firefighters and Officers	52.0	52.0	58.0	58.0	56.0	52.0	53.0	51.0	48.0	48.0
Civilians	2.0	2.0	2.0	2.0	2.0	1.0	1.0	3.0	2.0	2.0
Code	16.0	16.0	15.0	15.0	12.0	9.0	9.0	12.0	10.0	9.0
<b>Public Works</b>										
Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Garage	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	1.0
Streets, Alleys, and Solid Waste	19.0	21.0	21.0	21.0	22.0	25.0	29.0	24.0	24.0	22.0
Parks	1.0	1.0	1.0	1.0	-	-				
<b>Community Development Agency</b>	6.0	6.0	9.0	9.0	9.0	9.0	7.0	5.5	6.0	6.0
<b>Environmental Services Utility</b>										
Administration and clerical	4.0	4.0	3.0	3.0	2.0	1.0	5.0	5.0	5.0	5.0
Lab	6.0	6.0	5.0	5.0	5.0	6.0	6.0	4.0	4.0	6.0
Sewer services	10.0	10.0	9.0	9.0	9.0	9.0	7.0	6.0	9.0	9.0
Technical services	5.0	5.0	11.0	11.0	11.0	9.0	8.0	5.0	4.0	4.0
Building maintenance	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<u>251.5</u>	<u>253.5</u>	<u>262.0</u>	<u>262.0</u>	<u>248.0</u>	<u>232.5</u>	<u>238.0</u>	<u>230.0</u>	<u>218.0</u>	<u>216.0</u>

Source: City records

Note: There may be some slight differences in totals due to rounding



**Table E-2**

**CITY OF KANKAKEE, ILLINOIS**  
**OPERATING INDICATORS (Unaudited)**  
**Fiscal Years Ended April 30, 2007 to April 30, 2016**

<b><u>Function/Program</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Public Safety										
Police										
Total arrests	2,575	3,750	2,366	2,225	2,038	2,038	2,230	1,494	1,498	1,391
Traffic citations	4,265	6,983	5,279	3,540	5,260	5,260	3,330	4,217	5,296	5,983
Fire										
Fire runs	2,643	2,564	2,727	2,328	2,509	5,377	5,372	4,299	5,569	5,547
Structure fires	124	114	144	173	123	88	57	168	51	48
EMS calls	3,445	3,755	3,723	3,768	3,782	3,658	3,685	3,941	4,391	4,468
Public Works										
Street Sweepings (tons)	1,079	1,079	1,079	903	478	478	475	568	603	689
Non-demolition waste (tons)	922	922	922	613	656	656	665	774	672	839
Wastewater										
Number of customers										
Residential and commercial	8,302	8,162	8,043	7,907	7,985	7,957	7,683	7,683	7,683	7,566
Industrial and institutional	33	36	40	40	40	44	45	46	46	46
Sewer charges (in thousands of \$'s)										
Residential	\$ 2,525	\$ 2,516	\$ 2,737	\$ 3,222	\$ 3,373	\$ 3,718	\$ 3,491	\$ 4,065	\$ 4,167	\$ 4,460
Industrial	\$ 4,130	\$ 4,714	\$ 4,372	\$ 4,729	\$ 5,076	\$ 5,709	\$ 5,355	\$ 7,437	\$ 7,220	\$ 9,188
Treatment capacity (MGD)	14	14	14	14	14	14	14	25	25	25
Present Load (MGD)	8	8	8	8	8	8	8	12	16	18

Source: City records

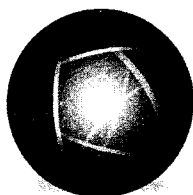
**CITY OF KANKAKEE, ILLINOIS**  
**CAPITAL ASSET STATISTICS (Unaudited)**  
**Fiscal Years Ended April 30, 2007 to April 30, 2016**

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	24	25	25	25	25	25	22	22	24
Fire										
Stations	6	6	7	7	7	7	7	7	7	7
Front-line apparatus	6	6	7	7	7	7	7	7	7	7
Public works										
Streets (miles)	256	270	270	270	270	270	270	270	270	270
Alleys (miles)	113	113	113	113	113	113	113	113	113	113
Bridges	17	17	17	17	17	17	17	17	17	17
Sidewalks (miles)	222	222	222	222	222	222	222	222	222	222
Streetlights	192	192	192	192	192	192	192	192	192	192
Traffic signals (intersections)	33	33	33	33	33	33	33	33	33	33
Storm sewers (miles)	120	122	122	122	122	122	122	122	122	122
Wastewater										
Sanitary sewers (miles)	145	145	145	145	145	145	145	145	145	145

Source: City records

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## **SINGLE AUDIT SECTION**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Council  
City of Kankakee, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois (the City), as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated November 28, 2016. Our report includes a reference to other auditors who audited the financial statements of Kankakee River Metropolitan Agency, a joint venture, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

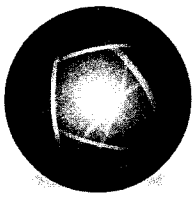
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Groszkreutz, Abraham, Eshleman & Gerretze LLC*

Kankakee, Illinois  
November 28, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor and City Council  
City of Kankakee, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited the City of Kankakee, Illinois' (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended April 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2016.

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## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Groskreutz, Abraham, Eshleman & Gerretse LLC*

Kankakee, Illinois  
November 28, 2016



**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended April 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b><u>MAJOR PROGRAMS</u></b>			
<u>Department of Housing and Urban Development</u>			
Lead-Based Paint Abatement	14.900	ILL HB 0590-14	\$ 950,966
Lead-Based Paint Abatement	14.900	ILL HB 0526-12	41,572
			<u>992,538</u>
Total Major Programs			<u>992,538</u>
<b><u>OTHER PROGRAMS</u></b>			
<u>Environmental Protection Agency</u>			
Passed-through Illinois Environmental Protection Agency: Capitalization Grant for Clean Water State Revolving Fund	66.458		136,214
Passed-through Stantec Consulting Services Inc.: Small Business Liability Relief and Brownfields Revitalization Act	66.818		<u>29,563</u>
Total Environment Protection Agency			<u>165,777</u>
<u>Department of Transportation</u>			
Passed-through Illinois Department of Transportation: Highway Planning and Construction	20.205	C-93-121-12	<u>6,342</u>
<u>Department of Housing and Urban Development</u>			
Passed-through Illinois Housing Development Authority:			
Homebuyer Acquisition and Rehabilitation Program	14.239	SHB-50653	17,134
Single Family Owner-Occupied Rehabilitation Program	14.239	HO-50836	<u>77,586</u>
			<u>94,720</u>
Community Development Block Grant:			
Program year 2014	14.218	B-14-MC-17-0026	9,748
Program year 2015	14.218	B-15-MC-17-0026	<u>333,257</u>
			<u>343,005</u>
Economic Development Initiative	14.251	B-09-SP-IL-0137	<u>16,847</u>
Total Department of Housing and Urban Development			<u>454,572</u>

(Continued)

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(Continued)**  
**For the year ended April 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<u>Department of Justice</u>			
JAG Program Cluster:			
FY2014 Justice Assistance Grant Program	16.738	2014-DJ-BX-1093	15,623
FY2015 Justice Assistance Grant Program	16.738	2015-DJ-BX-1093	17,515
			<u>33,138</u>
Passed-through Illinois Criminal Justice Information Authority:			
Edward Byrne Memorial Justice Assistance	16.738	412005	57,395
Edward Byrne Memorial Justice Assistance	16.738	413005	58,274
			<u>115,669</u>
Total JAG Program Cluster			<u>148,807</u>
Total Department of Justice			<u>148,807</u>
<u>Department of Homeland Security</u>			
Passed-through Illinois Emergency Management Agency:			
State-Local Hazard Mitigation Grant Program	97.039	FEMA-DR-1960-IL	194,811
Fire Prevention and Safety	97.044	EMW-2013-FP-00119	65,000
Total Department of Homeland Security			<u>259,811</u>
Total Other Programs			<u>1,035,309</u>
Total Federal Awards			<u>\$2,027,847</u>

**CITY OF KANKAKEE, ILLINOIS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended April 30, 2016**

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**SIGNIFICANT ACCOUNTING POLICIES:**

The City's accounting records are maintained in accordance with the accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board.

The significant accounting policies followed by the City are as follows:

Reporting Entity

The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers grant revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until earned.

Subrecipients

The City did not have any subrecipients.

Other information

The City did not receive any federal insurance or non-cash assistance.

10% De Minimis Indirect Cost Rate

The City has elected the 10% de minimis indirect cost rate.

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended April 30, 2016**

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**SECTION I – SUMMARY OF AUDITORS RESULTS:**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes \_\_\_\_\_ X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_ X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes \_\_\_\_\_ X none reported

Type of auditors report issued on compliance for major programs: Unqualified

Any audit finding disclosed that are required to be reported in accordance with 2CFR 200.516(a)? \_\_\_\_\_ yes \_\_\_\_\_ X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.900	Lead-Based Paint Abatement

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ X yes \_\_\_\_\_ no

**CITY OF KANKAKEE, ILLINOIS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**(Continued)**  
**For the year ended April 30, 2016**

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**SECTION II – FINANCIAL STATEMENT FINDINGS:**

No findings are reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:**

No findings are reported.

**SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:**

2015-001 – Corrected.

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